

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 20-F**

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2019**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

For the transition period from _____ to _____

Commission file number 001-35942

LightInTheBox Holding Co., Ltd.

(Exact name of Registrant as specified in its charter)

Cayman Islands

(Jurisdiction of incorporation or organization)

**Floor 5, Building 2, Yaxin Science
& Tech Park, No.399 Shengxia
Road, Pudong New Area,
Shanghai, 201203 People's
Republic of China**

(Address of principal executive offices)

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Telephone: +(86)18616892575
People's Republic of China**

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Ordinary Shares, par value \$0.000067 per share American Depositary Shares, each representing two Ordinary Shares	LITB	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 187,214,651 ordinary shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

†The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

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

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

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

Unless where the context otherwise requires, references in this annual report on Form 20-F 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 annual report 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 annual report only, the United States and Canada;
- “Our number of customers” are to the number of customer accounts that have purchased at least once from our company during the relevant period;
- “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 variable interest entities, or VIEs, including Lanting Huitong, Lanting Gaochuang, Chongqing Xuyi E-commerce Co., Ltd., or Chongqing Xuyi, Jiaying Xuyang Logistics Co., Ltd., or Jiaying Xuyang, Shenzhen Xuyi International Logistics Co., Ltd., or Shenzhen Xuyi, and Shanghai Ouku Network Technologies Co., Ltd., or Shanghai Ouku, the subsidiary of Lanting Huitong. Lanting Huitong and Lanting Gaochuang are collectively referred to as the Lanting VIEs. Chongqing Xuyi, Jiaying Xuyang and Shenzhen Xuyi are collectively referred to as the Ezbuy VIEs; and
- “\$,” “dollars” and “U.S. dollars” are to the legal currency of the United States.

Our reporting and functional currency is the U.S. dollar. In addition, this annual report 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 RMB6.9618 to \$1.00, the noon buying rate on December 31, 2019 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 annual report could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all. On April 17, 2020, the noon buying rate for Renminbi was RMB7.0711 to \$1.00.

The consolidated financial statements include the financial statements of the Company, its subsidiaries, its VIEs and its VIEs’ subsidiary. All inter-company transactions and balances are eliminated upon consolidation.

FORWARD-LOOKING STATEMENTS

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

- our growth strategies;
- our future business development, results of operations and financial condition;
- trends in online consumer retailing;
- trends in Chinese manufacturing;
- the expected benefits of our acquisitions or investments;
- consumer and economic dynamics in the markets we serve, including any adverse effects the coronavirus outbreak may have on income due to lower transaction volumes;
- expected changes in our revenues and certain cost and expense items; and
- assumptions underlying or related to any of the foregoing.

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

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data.

The selected consolidated statements of operations data for 2017, 2018 and 2019, and the selected consolidated balance sheet data as of December 31, 2018 and 2019 have been derived from our audited consolidated financial statements included elsewhere in this annual report on Form 20-F. Our selected consolidated statements of operations data for 2015 and 2016 and the selected consolidated balance sheet data as of December 31, 2015, 2016 and 2017 has been derived from our audited consolidated financial statements not included in this annual report on Form 20-F. Our audited consolidated financial statements are prepared and presented in accordance with generally accepted accounting principles in the United States, or U.S. GAAP. 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 “Item 5. Operating and Financial Review and Prospects,” both of which are included elsewhere in this annual report.

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

	Year Ended December 31,				
	2015	2016	2017	2018	2019
(U.S. dollars in thousands, except per share data)					
Selected Consolidated Statements of Operations Data					
Revenues					
Product sales	\$ 312,332	\$ 262,083	\$ 293,951	\$ 216,407	\$ 236,705
Services and others	11,431	30,404	25,930	11,132	6,921
Total revenues	323,763	292,487	319,881	227,539	243,626
Cost of revenues					
Product sales	196,753	160,566	189,816	156,326	144,061
Services and others	10,601	28,371	24,445	10,017	1,968
Total cost of revenues	207,354	188,937	214,261	166,343	146,029
Gross profit	116,409	103,550	105,620	61,196	97,597
Operating expenses					
Fulfillment	22,419	17,052	17,291	15,127	24,900
Selling and marketing	91,614	61,090	68,891	50,508	51,111
General and administrative	41,535	34,492	29,605	33,042	37,811
Other operating income	—	—	—	—	(173)
Loss from operations	(39,159)	(9,084)	(10,167)	(37,481)	(16,052)
Change in fair value of convertible promissory notes	—	—	—	(22,791)	14,591
Net income/(loss)	(39,407)	(8,723)	(9,548)	(59,602)	1,058
Weighted average number of shares used in					
calculating net loss per ordinary share - basic	94,970,054	127,180,801	137,641,562	134,495,549	137,588,401
calculating net loss per ordinary share diluted	94,970,054	127,180,801	137,641,562	134,495,549	223,517,833
Net (loss)/income per ordinary share - basic	(0.41)	(0.07)	(0.07)	(0.44)	0.01
Net loss per ordinary share - diluted	(0.41)	(0.07)	(0.07)	(0.44)	(0.06)
Other Selected Consolidated Financial Data					
Gross Margin (1)	36.0%	35.4%	33.0%	26.9%	40.1%

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

	Year Ended December 31,				
	2015	2016	2017	2018	2019
	(U.S. dollars in thousands)				
Selected Consolidated Balance Sheet Data					
Cash and cash equivalents	\$ 30,901	\$ 89,517	\$ 68,441	\$ 38,808	\$ 37,736
Inventories	11,261	10,587	11,841	8,481	7,357
Total current assets	49,741	113,738	100,984	55,557	57,377
Total assets	55,493	118,201	108,737	103,587	113,201
Total current liabilities	57,616	52,365	53,267	110,236	71,672
Total liabilities	57,616	52,365	53,267	111,392	81,320
Total shareholders' (deficit) / equity	(2,123)	65,836	55,470	(7,805)	31,881

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors**Risks Related to Our Business and Industry**

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

The recent outbreak of coronavirus disease ("COVID-19") has created a negative impact on macro-economy in China and our normal business activities in certain infected areas. For instance, COVID-19 has resulted in a noticeable delay to the delivery schedule of products purchased through our online platform, and disruption to our customers, supplier chains and staff, particularly in mainland China and Asia, and further to our global operations. Currently, it remains unclear how the situation will evolve through 2020 and we continue to monitor the situation closely. We are unable to accurately and comprehensively forecast the potential impact of the COVID-19 outbreak. Should COVID-19 have a continued adverse effect on our operation and transaction volume, macro-economy in China and global economy, our business, financial condition and results of operations may be materially and adversely affected.

Our business could be materially and adversely affected by the outbreak of pandemics. Other pandemics that could disrupt our business include influenza A (H1N1), commonly referred to as "swine flu," avian influenza, including H7N9, severe acute respiratory syndrome (SARS), Ebola virus disease 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.

In addition, 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. 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, any uncertainty on the Korean Peninsula, where many suppliers of Ezbay are located, 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 customers and could decrease demand for our products. Because we only have limited insurance covering certain of our warehouses and do not maintain insurance for all of our properties, significant time could be required to resume our operations and our financial position and operating results could be materially and adversely affected in the event of any major catastrophic event.

We face a number of challenges in the operation and expansion of our business.

We face risks and difficulties frequently experienced by companies in our industry, 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 posted on our websites and mobile applications is intensely competitive. Customers 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 customer 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 could be materially and adversely affected.

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 products such as apparel, small accessories and gadgets, electronics and communication devices and home 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 may overestimate customer demand, face increased overhead expenditures without a corresponding increase in product sales and incur inventory write-downs, which will adversely affect our results of operations.

If we cannot offer appealing products on our websites or our mobile applications, our customers may purchase fewer products from us, stop purchasing products from us, visit our websites or our mobile applications less often or stop visiting our websites or our mobile applications all together. 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 product 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 anticipate spending significant resources on marketing, supply chain management, fulfillment infrastructure, technology and other business expenditures as our business continues 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. Our historical growth and expansion have 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 products, work with different suppliers and address the needs of different kinds of customers. We may incur significant costs in trying to expand our offerings into these new products, or fail to introduce new products that meet anticipated customer demand. We also face risks related to our acquisition of Ezbuy in December 2018, in terms of the continued integration of our operations and the planning of and execution of our business strategy following this acquisition. See also “—We may engage in acquisitions that may present integration challenges, disrupt our business and lower our operating results and the value of your investment” and “—We have incurred and will continue to incur integration costs in connection with our acquisition of Ezbuy, which may have an adverse impact on our results of operations.”

We have incurred net losses since our inception and experienced negative cash flow from operating activities in the past. 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 loss from operations of \$10.2 million, \$37.5 million and \$16.1 million in 2017, 2018 and 2019, respectively, and we may continue to incur losses in the future. We experienced negative cash flow from operating activities of \$14.8 million, \$29.9 million in 2017 and 2018, respectively, even though we gained \$1.9 million of net cash inflow from operating activities in 2019, we may continue to experience negative cash flows in the future. In addition, we had net consolidated current liabilities of \$14.3 million as of December 31, 2019, and we may continue to experience net current liabilities in the future.

We expect our costs and expenses, especially our selling and marketing expenses, to increase as we expand our operations. 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 customers, 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 cash inflow from operating activities. As of December 31, 2019, we had approximately \$40.4 million in cash and cash equivalents and restricted cash. We expect that our existing cash and restricted cash 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 on acceptable terms, or at all, could significantly harm our business, financial condition 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.

As of December 31, 2019, we sourced our products from over 3,500 selected active suppliers, mainly from China, United States, South Korea, Japan and Singapore. 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. Although we have adopted internal policies and guidelines during our procurement process to make sure our suppliers and products we offer do not infringe on third-party intellectual property rights, we may receive, from time to time, notices claiming that our products have infringed on the intellectual property rights of others. If we determine that products posted on our websites and mobile applications are infringing on intellectual property rights, we will remove them from our websites and mobile applications. We are also involved in several intellectual property rights claims related to certain products posted on our website and mobile applications. As of the date of this annual report, we are involved as defendants in two pending intellectual property legal proceedings. We estimate the associated liabilities of these two legal proceedings to be no more than 50,000 Euro. 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 product 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 product feeds in 20 languages on google shopping platform, also manage millions of keywords in 23 languages and display advertising on over 800,000 publisher sites. In addition, we actively engage with our users on social networking sites. However, given the rapid changes of Internet advertising, customer 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.

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.

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, electronics and communication devices and derived a large percentage of our total revenues from such products. Following the acquisition of Ezbuy in December 2018, we have expanded our product offerings into a number of other product categories, such as home garden and sports and outdoor and penetrated into new geographic markets, such as South and Southeast Asia. This has required improvements to our technology and logistics infrastructure and increased marketing spending. We intend to continue to expand our product offerings and increase the variety and customization options of the products we offer in each of our categories and in each of our geographic regions.

These new businesses involve risks and challenges different from the sale of our traditional products. The introduction of other products imposes additional complications in logistics, supply chain management and marketing. For example, home 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 customer demands and preferences. We may introduce new products, 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, mobile applications and systems to customer 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 customer 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 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 over 140 countries and territories. Interruptions to or failures in these third parties' shipping services could prevent the timely or successful delivery of our products or the products of small business customers with whom we provide logistics services. 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 services and render our products and services less competitive.

If we do not deliver products to our customers 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 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. In addition, if we are unable to ensure the delivery of products of the small businesses in which we provide logistics services to in a timely manner or such products became damaged during delivery, our business customers may no longer utilize services that we provide. 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.

Furthermore, if our third-party couriers terminate their cooperation with us or do not renew their agreements with us on terms acceptable to us upon the expiry of the existing agreements, we may not be able to find alternative couriers to provide delivery services in a timely and reliable manner, or at all, which may materially and adversely affect our financial condition and results of operations. We may not be able to promptly and successfully deliver products to customers, which may result in the loss of their business and a material and adverse effect on our financial condition and reputation.

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

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

Such efforts may also be jeopardized if we fail to maintain high product quality, fulfill orders for popular items, maintain and enhance high customer experience, provide high quality customer services, or offer efficient and reliable delivery. In addition, any negative publicity or disputes regarding our products, company, management or affiliated individuals or other online retailers in China may also materially and adversely affect our websites or branded products. For example, certain products posted 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 product sales. Failure to successfully promote and maintain positive customer experience and awareness of our websites and mobile applications, damage to our reputation or brands or loss of customer 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 and mobile applications include:

- our ability to maintain a convenient and reliable user experience as customer preferences evolve and as we expand into new products and new business lines;
- our ability to increase repeat purchases by customers;
- our ability to increase purchase by mobile application users;
- 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 customers through various means of marketing and promotional activities;
- our ability to assure our customers of the security of our websites and mobile applications for online purchases; and
- the efficiency, reliability and service quality of our logistics and payment service providers.

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

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

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

A significant challenge to online commerce and communications is the secure transmission of confidential information over public networks. Currently, product orders and payments for products we offer are made through our websites and mobile applications. 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 and mobile applications are essential to maintain customer 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 and mobile applications. 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 products 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. It is difficult to predict household spending patterns in light of the global economic challenges. 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.

We rely on third-party suppliers for our products and any deterioration in the quality of those products or services provided by such suppliers 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 customer 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 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. 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.

Changes in international trade policies and international barriers to trade, or the emergence of a trade war, may have an adverse effect on our business and expansion plans.

Changes to trade policies, treaties and tariffs in the jurisdictions in which we operate, or the perception that these changes could occur, could adversely affect the financial and economic conditions in the jurisdictions in which we operate, as well as our international and cross-border operations, our financial condition and results of operations. The U.S. administration under President Donald Trump has advocated greater restrictions on trade generally and significant increases on tariffs on certain goods imported into the United States, particularly from China and has recently taken steps toward restricting trade in certain goods. For example, in 2018 and 2019, the U.S. administration enforced various tariffs on billions of Chinese imports.

The current U.S. administration has also created uncertainty with respect to, among other things, existing and proposed trade agreements, free trade generally, and potential significant increases on tariffs on goods imported into the U.S., particularly from Mexico, Canada and China. It is possible that further measures will be announced. As we are a leading cross-border e-commerce platform selling goods to customers globally, any unfavorable changes in international trade policies and international barriers to trade, such as capital controls or tariffs, may affect the demand for our products and services, impact the competitive position of our products or prevent us from being able to sell products in certain countries.

In addition, China and other countries have retaliated in response to new trade policies, treaties and tariffs implemented by the United States. For example, in response to the United States' tariff plan on steel and aluminum, China announced planned tariffs on various goods imported from the United States, including a 15% tariff on U.S. steel pipes, fresh fruit and wine, and a 25% tariff on pork and recycled aluminium. Further, China has announced plans to introduce or increase tariffs on goods imported from the United States in response to the implementation of U.S. tariffs on China imports. Such policy retaliations could ultimately result in further trade policy responses by the United States and other countries, and result in an escalation leading to a trade war, which would have an adverse effect on manufacturing levels, trade levels and industries, including logistics, retail sales and other businesses and services that rely on trade, commerce and manufacturing. Any such escalation in trade tensions or a trade war, or news and rumors of the escalation of a potential trade war, could have a material and adverse effect on our business, results of operations and trading price of our ADSs.

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 in China and internationally 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, especially for warehouses outside of China. 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, we have entered into arrangements with certain suppliers under which the suppliers store their products in our warehouses. Such products are referred to in this annual report 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 primarily 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 revenues from product sales depend on the number of visitors who purchase products on our websites and mobile applications 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 and mobile applications, 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 customers into disclosing sensitive information such as user names, passwords or other information in order to gain access to our or our customers' 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 generally do not collect product sales or other taxes on shipments of our goods to most countries in the world except United Kingdom, Germany, France, Australia and the United States. However, since we are deepening our penetration of geographic markets globally, we may be subject to tax regulations in other geographic markets. In addition, 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.

Levy of sales taxes may increase the costs of our products to our customers 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 product 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 product sales, decrease our competitiveness with local retailers, and materially and adversely affect 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. For instance, in 2018, we completed the acquisition of Ezbuy, an e-commerce platform primarily serving South and Southeast Asia. Although our products are sold to customers in over 140 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 mobile applications and promote our brand internationally. The expansion of product 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 and mobile applications 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 product sales from customers in China, but we may expand our operations in China in the future. We will encounter new challenges in operations, marketing and logistics. Our ability to operate competitively in international markets may not render us similarly competitive in the market in China. For example, our logistics networks will need to be optimized locally. To the extent that we cannot increase our market share in China, we may incur costs that we may not recover. Even if we are successful in increasing our market share in China, we may suffer from increased competition from other Chinese companies. We may not compete successfully against companies with stronger brands, greater financial resources, greater political support or more attractive terms for their suppliers, managers or employees.

In addition, our expansion into China may suffer due to uncertainties and various factors affecting the development of online retail in China. For example, Internet and broadband use and penetration may decline, consumer confidence in online shopping may decrease, the quality of alternative retail channels may increase, sufficiently reliable or secure logistic or payment methods may not be available, or the Chinese economy may deteriorate.

To the extent that we cannot successfully expand our operations in 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 are exposed to fluctuations in foreign currency exchange rates. We sell to customers in over 140 countries and territories. Our customers pay for our products and we pay our suppliers in various currencies but we report our financial results in U.S. dollars and, as a result, our financial results may be impacted by fluctuations in foreign currency exchange rates. If the U.S. dollar appreciates against foreign currencies, our translation of foreign currency denominated transactions will result in lower total revenues, operating expenses and net income. As we are deepening our penetration of geographic markets globally, our exposure to exchange rate fluctuations has increased. We have no hedges against currency risk. Fluctuations in foreign currency exchange rates could significantly impact our financial results, which may result in an impact on our share price.

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 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.

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 launched our own branded product lines, which 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 products. For example, product sales may be higher in the fourth quarter of a calendar year due to the Christmas holidays. Our product mix may experience quarterly shifts which may cause our margins to fluctuate from quarter to quarter.

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

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

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

It is often difficult to create and enforce intellectual property rights in certain geographic regions where we operate. Even where adequate laws exist in these regions, 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 certain geographic regions where we operate. 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, Global Collect and Stripe, 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 product 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, Singapore, 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. As such, we currently only have limited insurance covering certain of our warehouses. 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.

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

In preparing our consolidated financial statements as of and for the year ended December 31, 2018 included in our annual report on Form 20-F for 2018, we identified one material weakness in our internal control over financial reporting, as defined in the standards established by the Public Company Accounting Oversight Board of the United States, or PCAOB. The identified material weakness arose from lack of sufficient financial reporting and accounting personnel to formalize and implement certain key policies and procedures over financial reporting process. Following the identification of the material weakness identified in 2018, our management team began to implement measures to improve our internal control over financial reporting, including: (i) the continuous recruitment of experienced personnel with relevant past experience working on U.S. GAAP and the SEC reporting; and (ii) the establishment of certain policies and procedures and provision of internal training to accounting and reporting personnel. However, the implementation of these measures did not fully address the material weakness in our internal control over financial reporting and our management concluded that the material weakness continued to exist as of December 31, 2019.

In preparing our consolidated financial statements as of and for the year ended December 31, 2019 included in our annual report on Form 20-F for 2019, we also identified deficiencies in our management of our information technology user access and change for certain internal systems relating to financial reporting that aggregated into a material weakness. In addition, the Company's controls to monitor for international sales tax exposures was insufficient during 2019. Therefore, as of December 31, 2019, three material weaknesses in our internal control over financial reporting, as defined in the standards established by the Public Company Accounting Oversight Board of the United States, or PCAOB existed that arose from our i) insufficient financial reporting and accounting expertise necessary to comply with U.S. GAAP and SEC reporting and compliance requirements, ii) ineffective operation of controls related to our management of our information technology user access and change for certain systems relating to financial reporting and iii) insufficient controls to monitor for international sales tax exposures. Such material weaknesses, if not timely remedied, may lead to significant misstatements in our consolidated financial statements in the future.

Our independent registered public accounting firm did not undertake 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. Had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional deficiencies may have been identified.

We are in the process of implementing the aforementioned measures as well as the implementation of effective controls over i) the management of our information technology user access and change for certain internal systems relating to financial reporting and ii) the monitoring for international sales tax exposures to remediate the material weaknesses, however, we cannot assure you that we will not identify additional material weaknesses or significant deficiencies in the future.

Our failure to correct the material weaknesses or our failure to discover and address any other material weaknesses 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 significantly hinders our ability to prevent fraud.

In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our ADSs. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions.

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, mergers with or acquisitions of, complementary businesses, joint ventures, services and technologies. For example, in December 2018, we completed the acquisition of Ezbuy in the form of non-interest bearing one-year convertible promissory notes. 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 or related goodwill.

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. For example, to the extent we issue additional ADSs upon conversion of the convertible promissory notes issued in connection with the Ezbuy acquisition, the conversion of such convertible promissory note will dilute the ownership interests of existing shareholders. Any sales in the public market of our ADSs issuable upon such conversion of the convertible promissory note could adversely affect prevailing market prices of our 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.

We have incurred and will continue to incur integration costs in connection with our acquisition of Ezbuy, which may have an adverse impact on our results of operations.

We have incurred, and expect to continue to incur, costs in connection with our acquisition of Ezbuy. We may continue to incur integration costs arising out of this transaction. The synergies expected to arise from the business combination across a number of areas, including operations and realizing efficiencies in logistics and other common expenses, may not be achieved in the near term or at all, and if achieved, may not be sufficient to offset the costs associated with the business combination. Unanticipated costs, or the failure to achieve such expected improvement, may have an adverse impact on our results of 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.

Our international operations are subject to risks relating to worldwide operations.

Following the acquisition of Ezbuy in 2018, we operate and offer services in a number of jurisdictions around the world, including various countries in South and Southeast Asia, representing several developing countries with evolving legal frameworks and government policies. We may be affected by numerous, and sometimes conflicting, legal and regulatory regimes, including: changes in tax rates and tax laws or their interpretation, including changes related to tax holidays or tax incentives; trade protection laws, policies and measures, and other regulatory requirements affecting trade and investment, including export controls and economic sanctions laws; unexpected changes in regulatory requirements; political conditions and events, including embargoes; different liability standards and legal systems that may be less developed and less predictable than those in the United States, restrictive actions by governments that could limit our ability to provide services in specific countries; and potential noncompliance with a wide variety of laws and regulations. We must also manage: social, political, labor and economic conditions in a specific country or region; difficulties in staffing and managing local operations difficulties in penetrating new markets because of established and entrenched competitors, uncertainties of obtaining data and creating products and services that are relevant to particular geographic markets; lack of recognition of our brands, products or services, unavailability of joint venture partners or local companies for acquisition, restrictions or limitations on outsourcing contracts or services abroad, differing levels of data privacy and intellectual property protection in various jurisdictions; potential adverse tax consequences on the repatriation of funds and from taxation reform affecting multinational companies and exposure to adverse government action in countries where we may conduct reporting activities. Because of the varying degrees of development of the legal systems of the countries in which we operate, local laws might be insufficient to protect our rights. Compliance with diverse legal and regulatory requirements is costly, time-consuming and requires significant resources. Violations could result in significant fines or monetary damages, criminal sanctions, prohibitions or restrictions on doing business and damage to our reputation. In addition, the developing countries in which we operate may continue to undergo changes in political, economic and social conditions, as well as legal developments and government policies. We cannot assure you that any future changes will not materially and adversely affect our business, financial condition and results of operations.

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 Exchange Act);
- have a minimum of three members in our audit committee;
- have a compensation committee, a nominating or corporate governance committee;
- have regularly scheduled executive sessions with only independent directors;
- have executive session of solely independent directors each year; or
- adopt and disclose a code of business conduct and ethics for directors, officers and employees.

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

Risks Related to Our Corporate Structure

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

We conduct part of the marketing, administrative, fulfillment, technology research and development and other supporting functions through our VIEs incorporated in China. We receive substantially all of the economic benefits of our VIEs as their primary beneficiary through contractual arrangements with them and their shareholders. For a description of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational Structure.”

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. 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 expect to continue to rely on contractual arrangements with our VIEs and their shareholders for the operation of our PRC websites as well as conduct certain technology research and development and other supporting functions in China, which may not be as effective as direct ownership. If our VIEs and their 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 on contractual arrangements with our VIEs to operate our PRC websites, and we have relied on and expect to continue to conduct certain technology research and development and other supporting functions in China. For a description of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational Structure.” 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, Guangdong Lianyue Law Firm, 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, our VIEs and their 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 our VIEs refuse to transfer their equity interests in our VIEs to us or our designee when we exercise our call option pursuant to these contractual arrangements, we may have to take legal actions to compel them to perform their contractual obligations.

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

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

The shareholders of our VIEs have potential conflicts of interest with us, which may adversely affect our business.

Certain of our shareholders, including Mr. Jian He, who owned 10.3% of the shares of our company as of April 2, 2020, are also the shareholders of our Lanting VIEs. Thus, conflicts of interest between their duties to our company and their interests as the controlling shareholders of our Lanting VIEs 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, such shareholders mentioned above 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 “—Uncertainties with respect to the Chinese legal system could adversely affect us.”

We may lose the ability to use and enjoy assets held by our VIEs and their subsidiary 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 primarily engages in technology research and development and support, and the primary business of its subsidiary, Shanghai Ouku, is investment holding in Shenzhen Megacombine Technology Co. Lanting Gaochuang performs certain research and development functions. Chongqing Xuyi conducts the purchase of products. Shenzhen Xuyi and Jiaying Xuyang provide logistic service and assistance for Ezbuy Holdings Limited. Some of them hold certain assets and perform certain functions that are important to the operations of our business. If any of our VIEs goes bankrupt and all or part of their assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of our VIEs undergoes a voluntary or involuntary dissolution or liquidation proceeding, third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business in the PRC, which may materially and adversely affect our business, financial condition and results of operations.

If our VIEs 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 “Item 4. Information on the Company—B. Business Overview—Regulation.” Lanting Huitong and Shanghai Ouku, due to their past operation of our PRC websites, were required to obtain and maintain certain assets relevant to their business. Furthermore, our VIEs may be required to obtain various licenses or approvals. 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 total revenues, fines and the discontinuation or restriction of their operations. Any such disruption in the business operations of our VIEs may materially and adversely affect our business, financial condition and results of operations.

Contractual arrangements with our VIEs 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 our VIEs to 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 our VIEs’ tax expenses without a corresponding reduction in our tax expenses, which, in turn, could subject our VIEs to late payment fees and other penalties for underpayment of taxes. As a result, our contractual arrangements with our VIEs may result in adverse tax consequences to us. If the PRC tax authorities decide to make transfer pricing adjustments on Lanting Huitong’s net income in the future, our results of operations may be adversely affected. In addition, if our VIEs generate net income from transactions with our PRC subsidiaries under the contractual arrangements in the future and the PRC tax authorities decide to make transfer pricing adjustments on their net income, 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 global online retailer with substantial operations in China. The PRC government extensively regulates the Internet industry and cross-border business activities. While the PRC government has been encouraging the export industry, such policy may change in the future. Currently laws and regulations relating to online retail, including export online retail, are still evolving and the interpretation and enforcement of these laws and regulations are subject to significant uncertainties. As a result, in certain circumstances, it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws or regulations. Issues, risks and uncertainties relating to PRC regulation of export online retail include, but are not limited to:

- how our online retail activities are subject to the laws and regulations pertaining to traditional cross-border transactions or international trade, especially those related to customs declarations, statutory inspections, couriers and commodities export payments; and
- new regulations, or new interpretations of existing regulations, requiring additional licenses, declarations or inspections for our products.

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

For example, we work with third-party couriers to ship and export merchandise purchased by our customers around the world as articles or product samples on a parcel-by-parcel basis in accordance with procedures applicable to articles or product samples. This differs from the customs declaration, clearance and inspection procedures for traditional large-scale export shipments. Despite that the current PRC regulatory regime on customs declaration and inspection being formulated, interpreted and enforced primarily with the regulation of traditional large-scale exports in mind, the regulatory regime could technically be interpreted as being 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 exist with respect to the interpretation and implementation of Cyber Security Law as well as any impact it may have on our business operations.

On July 1, 2015, the Standing Committee of the National People’s Congress issued the National Security Law, which came into effect on the same day. The National Security Law provides that the state shall safeguard its sovereignty, security and cybersecurity development interests, and that the government shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, and other important activities that are likely to impact the national security of China.

On November 7, 2016, the Standing Committee of the National People’s Congress issued the Cyber Security Law, which came into effect on June 1, 2017. This is the first Chinese law that focuses exclusively on cyber security. The Cyber Security Law provides that network operators must set up internal security management systems that meets the requirements of a classified protection system for cybersecurity, including appointing dedicated cybersecurity personnel, taking technical measures to prevent computer viruses, network attacks and intrusions, taking technical measures to monitor and record network operation status and cybersecurity incidents, and taking data security measures such as data classification, backups and encryption. The Cyber Security Law also imposes a relatively vague but broad obligation to provide technical support and assistance to the public and state security authorities in connection with criminal investigations or for reasons of national security. The Cyber Security Law also requires network operators that provide network access or domain name registration services, landline or mobile phone network access, or that provide users with information publication or instant messaging services, to require users to provide a real identity when they sign up.

The Cyber Security Law sets high requirements for the operational security of facilities deemed to be part of the PRC’s “critical information infrastructure.” These requirements include data localization, i.e., storing personal information and important business data in China, and national security review requirements for any network products or services that may have an impact on national security. Among other factors, “critical information infrastructure” is defined as critical information infrastructure, that will, in the event of destruction, loss of function or data leak, result in serious damage to national security, the national economy and people’s livelihood, or the public interest. Specific reference is made to key sectors such as public communication and information services, energy, transportation, water-resources, finance, public service and e-government. However, no official guidelines as to the scope of “critical information infrastructure” have been formally issued.

We do not believe that we are an operator of “critical information infrastructure” as defined in the Cyber Security Law. However, there is no assurance that we may not be considered an operator of “critical information infrastructure” in the future as the definition is not precise, and there are substantial uncertainties as to the ultimate interpretation and implementation of the Cyber Security Law. The Cyber Security Law, if enacted as proposed, could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

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 customers 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.

Most 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 effect 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:

- 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.
- the evolving PRC regulatory system for the Internet industry may lead to the establishment of new regulatory agencies. For example, the Cyberspace Administration of China was established in 2014, as the central Internet censorship, oversight and control agency for the PRC. 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 most 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, most 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 competitiveness 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. Since August 2015, the U.S. dollar has also started to gradually appreciate against the Renminbi. It is difficult to predict how market forces of PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

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.

On July 4, 2014, SAFE promulgated the Notice on Relevant Issues Concerning Foreign Exchange Control of Domestic Residents' Overseas Investment and Financing and Round-trip Investment through Offshore Special Purpose Vehicles, or SAFE Circular No. 37, which replaced the former Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (generally known as SAFE Circular No. 75) promulgated by SAFE on October 21, 2005.

SAFE Circular No. 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, which is referred to in SAFE Circular No. 37 as a "special purpose vehicle." SAFE Circular No. 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as an increase or decrease of capital contributed by PRC residents, share transfer or exchange, merger, division or other material events. In the event that a PRC resident holding interests in a special purpose vehicle fails to complete the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiaries. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

We have 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. For instance, Mr. Quji (Alan) Guo and Mr. Jian He, both of whom are PRC domestic residents and hold interests in our company, have registered with the Shenzhen SAFE branch.

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 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. 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. As a public company listed in the United States, we and our PRC employees who have been granted stock options are subject to the Stock Option Notice. 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 “Item 4. Information on the Company—B. Business Overview—Regulation—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 our initial public offering and private placements to make loans or additional capital contributions to our PRC subsidiary.

In utilizing the proceeds of our initial public offering and private placements, 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 FIE, 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 “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating to Foreign Currency Exchange—Foreign Exchange Relating to FIEs.”

We may also decide to finance our PRC subsidiary by means of capital contributions. According to the relevant PRC regulations on FIEs in China, depending on the nature of the business conducted by the relevant subsidiary, capital contributions to FIEs 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 our initial public offering and private placements 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.

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, which was issued in 2007 and amended in 2017 and 2018, and its implementation rules which were issued in 2007, 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 “Item 4. Information on the Company—B. Business Overview—Regulation—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 a 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 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 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 FIE 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 conduct substantially all of our business in China through Lanting Jishi, which is 100% owned by Light In The Box and Qianhai Xuyi, which is 100% owned by Ezbuy Holdings 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 or Ezbuy Holdings Limited receives from Qianhai Xuyi may be subject to withholding tax at a rate of 5%, provided that: (a) Light In The Box Limited or Ezbuy Holdings 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 or Ezbuy Holdings 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 Ezbuy Holdings Limited holds at least 25% of the equity interests of Qianhai Xuyi; (d) all other conditions and requirements under the Double Taxation Avoidance Arrangement shall be satisfied. Neither Light In The Box nor Ezbuy Holdings Limited has obtained the approval for a withholding tax rate of 5% from the local tax authority and neither of them plans to obtain such approval in the near future, as neither Lanting Jishi nor Qianhai Xuyi has paid dividends in the past and neither of them plans to pay dividends in the future as it may continue to incur losses. In addition, as described above, our company or any of our Hong Kong subsidiaries 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 subsidiaries 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-resident enterprise 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-resident enterprise 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.

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, the interpretation and implementation of these laws and regulations are still evolving, substantial uncertainty remains as to its potential impact on our business, financial condition and results of operations. See “Item 4. Information on the Company—B. Business Overview— Regulation—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 December 31, 2019, we were potentially subject to late fees, fines and penalties for up to a maximum of \$9.2 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 annual report, 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.

Failure 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 have a material adverse effect on our business, financial condition and results of operations as well as the trading price of the ADSs.

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 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 our initial public offering and our corporate structure established under contractual arrangements remains unclear. We believe that we were not required to apply to the relevant PRC regulatory agencies, including the CSRC and the Ministry of Commerce, for approval of our initial public offering or our current corporate structure because:

- the CSRC currently has not issued any definitive rule or interpretation concerning whether international public offerings like ours under our 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 us. 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 our initial public 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. In addition, if the CSRC or other regulatory agencies later promulgate new rules or explanations requiring that we obtain their approvals for our initial public 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 businesses.

We are a holding company, and we may rely on dividends and cash distributed by our Hong Kong subsidiaries and may, in the future, rely on dividends and cash distributed by our PRC subsidiaries through our Hong Kong subsidiaries for our cash requirements. However, current PRC regulations permit our PRC subsidiaries 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 subsidiaries are 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 any of our PRC subsidiaries 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 subsidiaries. If we or our Hong Kong subsidiaries require dividends and cash contributions from our PRC subsidiaries in the future, any limitation on the ability of our PRC subsidiaries to distribute dividends or other payments to us or our Hong Kong subsidiaries 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 businesses.

The audit report included in this annual report 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 firms that issue the auditors' report included in this annual report, 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' audit 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.

Proceedings instituted by the SEC against certain China-based accounting firms, including our independent registered public accounting firm, could result in financial statements being determined to not be in compliance with the requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act.

In January 2014, Judge Cameron Elliot, a SEC administrative law judge, issued an initial decision suspending the Chinese member firms of the "Big Four" accounting firms, including our independent registered public accounting firm, from, among other things, practicing before the SEC for six months. In February 2014, the initial decision was appealed. While under appeal and in February 2015, the Chinese member firms of "Big Four" accounting firms reached a settlement with the SEC. As part of the settlement, each of the Chinese member firms of "Big Four" accounting firms agreed to settlement terms that include a censure; undertakings to make a payment to the SEC; procedures and undertakings as to future requests for documents by the SEC; and possible additional proceedings and remedies should those undertakings not be adhered to.

Had the settlement terms not been adhered to, Chinese member firms of "Big Four" accounting firms could have been suspended from practicing before the SEC which could in turn delay the timely filing of our financial statements with the SEC. In addition, it could be difficult for us to timely identify and engage another registered public accounting firm to audit and issue an opinion on our financial statements. A delinquency in our filings with the SEC may result in NYSE initiating delisting procedures, which could adversely harm our reputation and have other material adverse effects on our overall growth and prospect.

Risks Related to the ADSs

The market price for the ADSs has fluctuated and may be volatile.

The market price for our ADSs has fluctuated since we listed our ADSs. Since our ADSs became listed on the NYSE on June 6, 2013, the trading price of our ADSs have ranged from US\$0.60 to US\$23.38 per ADS, and the last reported trading price on April 28, 2020 was US\$0.80 per ADS. 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 our ADSs. In particular, in November 2019 we received a letter from the New York Stock Exchange (“NYSE”), indicating that our Company is “below criteria” due to the average closing price of our ADSs being less than \$1.00 over a consecutive 30-trading-day period pursuant to Section 802.01C of the NYSE Listed Company Manual. Our ADS price subsequently increased to and remained at a level that was in compliance with Section 802.01C of the NYSE Listed Company Manual in January 2020. In March 2020, we also received a letter from the NYSE, indicating that our Company is “below criteria” due to the average closing price of our ADSs being less than \$1.00 over a consecutive 30-trading-day period pursuant to Section 802.01C of the NYSE Listed Company Manual.

The securities of some China-based companies that have listed their securities in the United States have experienced significant volatility since their initial public offerings in recent years, including, in some cases, substantial declines in the trading prices of their securities. The trading performances of these companies’ securities after their offerings may affect the attitudes of investors towards Chinese companies listed in the United States in general, which consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or other matters of other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have engaged in any inappropriate activities. In particular, the global financial crisis and the ensuing economic recessions in many countries have contributed and may continue to contribute to extreme volatility in the global stock markets. These broad market and industry fluctuations may adversely affect the market price of our ADSs. Volatility in our ADS price may also adversely affect our ability to retain key employees, most of whom have been granted options or other equity incentives.

Our voting structure limits 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.

We 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, are entitled to three votes per share in matters related to a change of control. As of April 2, 2020, each of Wincore Holdings Limited, Vitz Holdings Limited and Clinet Investments Limited held 3.3%, 1.1% and nil of the shares of our company, respectively, entitling them to 9.2%, 3.0% and nil of voting rights, respectively, and an aggregate of 12.2% of voting rights in such matters related to a change of control, assuming all the ADSs owned by such founding shareholders were converted into ordinary shares of the Company. 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.

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 the issuance of our preferred shares, convertible notes and ADRs 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, or the perception that these sales could occur, could cause the market price of the ADSs to decline. As of December 31, 2019, we had 187,214,651 ordinary shares outstanding, including 105,054,326 ordinary shares represented by ADSs. All our ordinary shares represented by ADSs were freely transferable by persons other than our “affiliates” without restriction or additional registration under the Securities Act of 1933, as amended, or Securities Act. The remaining ordinary shares will be available for sale subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act.

In addition, certain holders of our ordinary shares 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 the deposit agreement, holders of the ADSs are not able to exercise voting rights attaching to the shares evidenced by the ADSs. You have a right to instruct the depository 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 depository 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 depository 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 depository. However, the depository may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depository may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depository are closed, or at any time if we or the depository deem it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

You may face difficulties in protecting your interests and your ability to protect your rights through the U.S. federal courts may be limited, because we are incorporated under Cayman Islands law, primarily operate our business from mainland China and Hong Kong and a majority 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, Lanting Gaochuang, Chongqing Xuyi, Jiaying Xuyang and Shenzhen Xuyi 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 effect service of process within the United States upon us or these persons, or 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 enforcement in the Cayman Islands of judgments obtained in the federal or state courts of the United States (and the Cayman Islands are not a party to any treaties for the reciprocal enforcement or recognition of such judgments), a judgment obtained in such jurisdiction will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment (a) is given by a foreign court of competent jurisdiction, (b) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given, (c) is final, (d) is not in respect of taxes, a fine or a penalty, and (e) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands. However, the Cayman Islands courts are unlikely to enforce a judgment obtained from the U.S. courts under civil liability provisions of the U.S. federal securities law if such judgment is determined by the courts of the Cayman Islands to give rise to obligations to make payments that are penal or punitive in nature. Because such a determination has not yet been made by a court of the Cayman Islands, it is uncertain whether such civil liability judgments from U.S. courts would be enforceable in the Cayman Islands.

Our corporate affairs are governed by our memorandum and articles of association, as amended and restated from time to time, and by the Companies Law (2020 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 duties 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 duties 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, shareholders of 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.

We are subject to increased costs as a result of becoming a public company, and our compliance costs may continue to increase in the future.

As a public company, we have incurred significant legal, accounting and other expenses that we did not have as a private company prior to our initial public 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 have no present plan to pay dividends in the foreseeable future, and you may only rely on price appreciation of our ADSs for return on your investment.

Since our inception, we have not declared or paid any dividends on our ordinary shares. Since we intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business, we have no present plan to pay any dividends on our ordinary shares in the foreseeable future. Therefore, you should not rely on an investment in our ADSs as a source for any future dividend income.

Any future determination to pay dividends will be made at the sole 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 “Item 12. Description of Securities Other Than Equity Securities—D. American Depositary Shares.” Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

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 composition of our income and assets, and the valuation of our assets, including goodwill, we do not believe that we were a passive foreign investment company (a “PFIC”) for 2019. 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 ADSs, which is subject to change. Due to the volatility of the market price of our ADSs, we may become a PFIC in the future. See “Item 10. Additional Information—E. 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 “Item 10. Additional Information—E. 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 “Item 10. Additional Information—E. Taxation—Material United States Federal Income Tax Considerations.” We cannot assure you that we were not a PFIC for 2019 or that we will not be a PFIC for 2020 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 “Item 10. Additional Information—E. 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 contains provisions limiting the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. 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 fourth 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, are entitled to three votes per share held by them, and the remaining shareholders are 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.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

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.

Initial Public Offering

In June 2013, we completed our initial public offering, in which we offered and sold 19,090,000 ordinary shares in the form of ADSs, raising \$75.0 million in proceeds before expenses to us. Our ADSs are listed on the NYSE under the symbol “LITB.”

ADS Repurchases

On June 8, 2016, we announced the implementation of a share repurchase program of up to \$10.0 million worth of our outstanding ADSs, each representing two of ordinary shares, on the open market at prevailing market prices or in privately negotiated transactions from June 15, 2016 through June 14, 2017. Our board of directors subsequently extended the existing share repurchase program for an additional twelve month period, to June 14, 2018. As of its termination on June 14, 2018, \$7.2 million of our ADSs were repurchased under this program.

On December 23, 2019, we announced the implementation and the execution of a share repurchase program of up to US\$3 million of our ordinary shares in the form of American Depositary Shares through June 28, 2020. The repurchase may be made from time to time on the open market at prevailing market prices, in open-market transactions, privately negotiated transactions or block trades, and/or through other legally permissible means, depending on market conditions and in accordance with the applicable rules and regulations, and our insider trading policy. For details of the abovementioned two share repurchase programs, see “Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.”

Private Placement

In March 2016, we completed the issuance of 42,500,000 ordinary shares to Zall Cross-border E-commerce Investment Company Limited, or Zall E-Commerce, an indirect wholly-owned subsidiary of Zall Group Ltd., or Zall Group, a developer and operator of large-scale consumer-focused product wholesale shopping malls in China, at \$1.80 per ordinary share, which amounted to \$76.5 million in proceeds. In addition, we issued a warrant to Zall E-Commerce pursuant to which Zall E-Commerce was able to subscribe for up to 7,455,000 ordinary shares of our company, equivalent to 3,727,500 ADSs, accounting for an additional 5% equity interest in our company on a fully diluted basis, at an exercise price of \$2.75 per ordinary share, equivalent to \$5.50 per ADS, pursuant to the terms and conditions of such warrant. The warrant was exercisable starting from September 30, 2016 and was terminated on March 30, 2018 without being exercised. Furthermore, Zall E-Commerce was granted certain registration and anti-dilution rights under the terms and conditions of the transaction.

Acquisition of Ezbuy

On November 8, 2018, we announced our entry into a share purchase agreement (the “Agreement”) with the shareholders and founding parties of Ezbuy to purchase (i) 100% of the total issued share capital of Ezbuy, and (ii) shares of Ezbuy issuable under convertible promissory notes held by certain of Ezbuy’s shareholders that were converted effective as of the closing of the transaction, payable in the form of convertible promissory notes, or the Notes. The Notes does not bear interest. The Notes were issued at the closing of the transaction on December 10, 2018 and matured 365 days thereafter, or the Conversion Period.

On December 11, 2019, the Company issued 13,154,284 ordinary shares and 19,091,837 ADSs (representing 38,183,674 ordinary shares) upon the maturity and in exchange of the Notes to certain of Ezbuy’s shareholders. In January and March 2020, the Company issued 37,545,158 ordinary shares to the rest of Ezbuy’s shareholders in exchange of the Notes they hold.

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

- Light In The Box Limited and Ezbuy Holdings Limited, our wholly owned subsidiaries incorporated in Hong Kong, that primarily engages in product sourcing, marketing and the operation of our websites and mobile applications and the sale of our products targeted towards consumers outside of China;
- Lightinthebox Trading (Shenzhen) Co. Ltd., previously Lanting Jishi Trade (Shenzhen) Co., Ltd., (“Lanting Jishi”), and Qianhai Xuyi Information Technology (Shenzhen) Co., Limited (“Qianhai Xuyi”), and Light In The Box (Suzhou) Trading Co., Limited, our wholly owned subsidiaries incorporated in the PRC, that primarily engages in providing supplier chain management, research and development, customer service and marketing services;
- Beijing Lanting Gaochuang Technologies Co., Ltd., (“Lanting Gaochuang”), and Shenzhen Lanting Huitong Technologies Co. Ltd., (“Lanting Huitong”), our consolidated VIEs through a series of contractual arrangements, that primarily engage in technology research and development, administrative and general supports;
- Shenzhen Xuyi International Logistics Company Limited (“Shenzhen Xuyi”), Jiaxing Xuyang Logistics Company Limited (“Jiaxing Xuyang”), Chongqing Xuyi E-Commerce Company Limited (“Chongqing Xuyi”), our consolidated VIEs through a series of contractual arrangements, primarily engage in logistic, supply chain management, research and development services;
- Light In The Box (Chengdu) Technology Co. Limited, our wholly owned subsidiary incorporated in the PRC that primarily engages in mobile application software development and information technology support;
- Shanghai Ouku Network Technologies Co., Ltd., (“Shanghai Ouku”), a PRC incorporated company that is wholly owned by Lanting Huitong. Shanghai Ouku primarily engages in investment holding in Shenzhen Megacombine Technology Co., Limited;
- Wuhan Lightinthebox Cross-border E-commerce Co., Ltd., (“Wuhan Lightinthebox”), a PRC incorporated company that is wholly owned by Lanting Jishi, primarily engages in customer service, research and development, administrative support services;
- Lanting International Holding Limited, or Lanting International, our wholly owned subsidiary incorporated in Hong Kong as an intermediate holding company for our U.S. subsidiary, LITB, Inc.;

- LITB, Inc., our wholly owned subsidiary incorporated under the laws of the State of Delaware, that primarily engages in marketing and software development and technology support;
- LightInTheBox International Logistic Co., Limited, or Lightinthebox Logistics, our wholly owned subsidiary incorporated in Hong Kong that primarily focuses on the expansion of our warehouses and distribution network outside of China.;
- LITB Netherlands B.V., our wholly owned subsidiary incorporated in the Netherlands that primarily engages in marketing in Europe;
- Each of Light Square Limited, or Light Square, Light Linnet Limited, or Light Linnet, Light Xiao Limited, or Light Xiao, and Fashion Easy-go International Trading Co., Ltd. or Fashion Easy-go, our wholly owned subsidiary incorporated under the laws of Hong Kong that primarily engages in maintaining our stores on other online platforms. The entire share capital of these subsidiaries is registered in the name of our employees who hold such shares on trust for the benefit of Light In The Box Limited pursuant to the respective declarations of trust executed on various dates in June and July 2016;
- D2D Express PTE. LTD, and Avant Logistic Service PTE. LTD., our wholly owned subsidiaries incorporated under the laws of Singapore, that primarily focuses on the warehouse management services and local delivery in Singapore;
- Ching International Service PTE. LTD., and Avant E-commerce Service PTE. LTD., our wholly owned subsidiaries incorporated under the laws of Singapore, that primarily engages in marketing and customer service targeted towards consumers in Singapore; and
- Ching International Service (Malaysia) SDN. BHD., our wholly owned subsidiary incorporated under the laws of Malaysia, that primarily focuses on the local delivery and customer service targeted towards consumers in Malaysia.

Our principal executive offices are located at Floor 5, Building 2, Yaxin Science & Tech Park, No.399 Shengxia Road, Pudong New Area, Shanghai 201203, People's Republic of China. Our telephone number at this address is +(86-21) 6031-9669. Our registered office in the Cayman Islands is located at the office of Vistra (Cayman) Limited, PO Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands. Our telephone number at this address is +1 345 949 2648. 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.

The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Our annual report and some of the other information submitted by us to the SEC may be accessed through this website. Our investor relations website is <http://ir.lightinthebox.com>. The information contained on our websites is not a part of this annual report.

B. Business Overview

Overview

We are a cross-border e-commerce platform that delivers products directly to consumers around the world. We offer customers a convenient way to shop for a wide selection of products at attractive prices through www.lightinthebox.com, www.miniinthebox.com, www.ezbuy.com and our other websites as well as mobile applications, which are available in 23 major languages and over 140 countries and regions. By offering a wide variety of products at affordable prices, we hope to create a better lifestyle for people living in these countries and regions.

We target products that can offer our customers better choices and savings, such as fast fashion and home garden products. We also offer a wide range of other products in our other general merchandise product category, as well as high quality, made-to-measure dresses and wedding gowns.

We serve customers 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 customers. We accept payments through all major credit cards and electronic payment platforms, such as PayPal, Stripe and Global Collect, and we deliver our goods through major international couriers, including DHL, UPS and EMS.

Our Acquisition of Ezbuy

To supplement our growth, in December 2018, we acquired Ezbuy Holding Co., Ltd., or Ezbuy, a Singapore-based cross-border e-commerce company which serves more than three million customers in Singapore, Malaysia, Indonesia, Thailand and Pakistan. With the acquisition of Ezbuy, we have expanded our market reach to South and Southeast Asia.

Both LightInTheBox and Ezbuy strive to source high quality products directly from competitive manufacturers in the strongest supply ecosystems in China. Our data-driven business model allows us to offer products at affordable prices through optimal merchandising and fulfillment. We work closely with our suppliers to re-engineer their manufacturing processes to achieve faster time-to-market for our products. By locating our warehouses near these suppliers, we also realize cost advantages and inventory efficiency. As a result, we manage to reduce our product costs and offer more affordable prices to our customers.

We offer a wide range of product categories, including fashion, home garden, wedding, sports and outdoors, electronics, toys and etc. To effectively present our product selections to customers, we have developed a strong algorithm to recommend similar and related products based on customers purchase and browsing history.

To acquire and retain customers across diverse geographic markets, we have developed proprietary technologies to manage and optimize our marketing operations. We have established a specialized social marketing team to our customers.

Ezbuy is a cross-border e-commerce company founded in 2010. It brings a variety of products from China, the United States and South Korea to its customers in Singapore, Malaysia, Thailand, Indonesia and Pakistan. Ezbuy has a strong customer base and consumer awareness in South and Southeast Asia, especially in Singapore and Malaysia. Ezbuy ranked No.10 in top search terms in Singapore according to Google's *Year in Search* ranking in 2017.

Both LightInTheBox and Ezbuy focus on bringing wide selections of high quality products from China to customers outside of China. LightInTheBox's major markets are Europe and North America, while Ezbuy's major markets are South and Southeast Asia. The two companies have a number of commonalities in supply chain while differ in target markets. Synergies from such business combination have been achieved and will continue to benefit the operation across a number of areas.

Our Websites and Mobile Applications

We operate our business primarily through www.lightinthebox.com, www.miniinthebox.com and www.ezbuy.com, offering apparel, home garden, wedding, electronics and other products. Our websites are currently available in 23 major languages. All of our websites and mobile applications are supported by a common back-end technology platform, allowing for centralized inventory management across all of our websites.

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

Our websites and mobile applications offer customers a rich shopping experience and includes comprehensive information on our entire line of products such as rich media presentation and multilingual description. Users may search and view our products by category, style and other popular features. They may also search by product name, code or keyword. We offer users social media tools on our websites and mobile applications to share information about our products on the world's major social networking sites. We have also established online communities to foster customer peer sharing.

Our Product Offerings

We offer customers products through our websites and mobile applications. Historically, we have focused on wedding and events, apparel and electronics and communication devices. Since the fourth quarter of 2018, we have continued to shift our focus towards categories that have higher gross margins such as home garden, fast fashion, wedding events and sports and outdoor.

Our product offerings include:

- *Apparel.* This category includes customized, special occasion apparel and fast fashion.
- *Other general merchandise.* This category includes small accessories and gadgets, home garden, electronics and communication devices and other products.

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

Revenues from our product sales accounted for 91.9%, 95.1% and 97.2% of our total revenues in 2017, 2018 and 2019, respectively.

Our Relationship with Suppliers

We source many of our products directly from factories in China. In addition, we source products outside of mainland China, such as from South Korea, Singapore, Japan, Hong Kong and the United States. We have a comprehensive supplier qualification system and have over 3,500 selected active suppliers accordingly. We are also in the process of building out our global supply chain and sourcing strategy. We select our suppliers based on a range of factors, including product quality, price, reliability, financial strength, reputation, ability to meet our delivery timeline and production capacity, ability to increase their production capacity along with the growth in our business and historical relationship.

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

We have established a supply network that is characterized by on-demand procurement with low lead time. We work with some of our suppliers to re-engineer their manufacturing process that enables us to place orders in relatively small batches. This provides us with the advantage to quickly adjust the design of our products, in each batch if needed, based on customer feedback. For example, for our made-to-measure products, such as customized apparel, we place orders with our suppliers only when our customers have placed an order, and such products are delivered to our warehouses by our suppliers within 10 to 14 days from the time when we place an order. For non-customized products, we adopt a frequent procurement strategy characterized with short refill cycles from suppliers that are, in most cases, within 48 hours. Our supply chain management system has been efficient in managing inventory while also reducing production waste for our suppliers, which we believe increases the desire for suppliers to work with us.

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

Purchases from our suppliers accounted for 68.3%, 66.9% and 74.5% of our total cost of product sales in 2017, 2018 and 2019, respectively.

Pricing

In general, we aim to set our products at competitive prices. We price our products to reflect the savings associated with direct sourcing, low inventory levels and optimized logistics. We set the price of our products based on customer demand and feedback, sourcing costs, delivery costs and existing market prices for similar products. As we perform extensive data analysis on our product presentation and customer purchasing decisions, we believe we can effectively conduct targeted promotional activities, identify optimal pricing points for each product and generate strong product sales and gross-margin performance.

Payment and Order Fulfillment

Payment

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

For our customers on our [www.ezbuy.com](#) targeting customers in South and Southeast Asia, available payment options include online payment through all major credit and debit cards, including Visa, MasterCard and American Express, and electronic payment platforms such as Stripe and bank transfer. However, available payment options may differ depending on the country or region in which the customers are based.

Order Fulfillment

We have strategically integrated the order fulfillment functions of our LightInTheBox and Ezbuy businesses to achieve cost efficiencies. We have established warehouses in Jiaxing, Zhejiang Province and Dongguan, Guangdong province in China. We have also established warehouses in Singapore. In total, our warehouses have the capacity to handle over 20,000 orders per day. As we grow our business, we build incremental capacity to reduce our capital expenditures. Our warehouses are currently leased.

Generally, orders placed by our customers are transmitted via our information technology system to one of our warehouses. As a result of our unique supply network, we have generally maintained a low inventory level and, in many cases, do not keep many products in stock. Rather, we transmit orders to our suppliers for fulfillment only when such orders are received from our customers or on a daily basis in small batches. Products are then delivered from our suppliers to our warehouses for quality inspection before being shipped out to our customers by third-party couriers. We regularly monitor our order fulfillment process and solicit customer feedback to ensure fulfillment accuracy.

We offer a wide range of delivery options to our customers. Following the acquisition of Ezbuy, we started to work with a number of couriers to utilize special route shipping services for international deliveries to achieve faster delivery at lower costs. Except for local deliveries in Singapore, which we handle in-house, we work with various local couriers for local deliveries in Malaysia, Thailand and other countries.

Refund and Exchange

We have implemented refund and exchange policies specific to each of our product categories. Generally, for products sold through our [www.lightinthebox.com](#), [www.miniinthebox.com](#), and other sites targeting customers outside of China, if the product is returned for quality issues, damage during shipping, failure to conform to specifications, allergic reactions, we generally provide a full refund if the customer submits a return-request form to one of our customer service representatives within 14 days of receiving the product, and subsequently changed to 7 days in 2019. We also offer 30 days of quality warranty to all products, except for faucets and lights, which are offered 1 year quality warranty. Customized apparel return requests are subject to additional restrictions due to the personalized nature of such products. Customers in the United States and Europe can return products to our outsourced collection centers in these areas. For products sold through our sites targeting customers in China, refunds are generally provided within seven days of purchase for quality issues. Customers in China who choose to make payment on delivery can inspect products and reject the delivery in part or in whole prior to paying for the goods. For products sold through our [www.ezbuy.com](#) and other sites targeting customers in South and Southeast Asia, refunds are generally available for damages, defects and loss of products.

Quality Control

We believe that our ability to offer quality products is essential to our continued growth and success. Therefore, we emphasize quality control and, as of December 31, 2019, we had built a quality control department with approximately 23 employees.

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

Marketing

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

We display contextual advertising through major search engines' advertising networks on a cost-per-click basis. We measure the cost of customer acquisition and constantly adjust our keyword selection combinations, advertising copies and landing pages to increase the likelihood of customer purchases once they visit our websites and mobile applications. We also engage in an affiliate marketing program where we offer affiliated websites commissions for directing customer traffic to our websites and mobile applications through embedded hyperlinks. As of the date of this annual report, we actively managed millions of keywords in 23 languages and display advertising on over 800,000 publisher sites around the world.

Furthermore, we have established a specialized social marketing team to promote our brand and presence across major global social networking platforms. We display contextual advertising through major social media platforms, such as Facebook and Instagram, on a cost-per-impression basis. We present customized advertisements to different groups of users based on their age groups, languages and interests, to improve our customer acquisition efficiency. We also engage social influencers and key opinion leaders for social marketing in different countries on a cost-per-sales basis or cost-per-impression basis. In addition, we conduct offline marketing in certain countries to maximize the overall coverage of our marketing campaigns.

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

Customer Service

We believe our growth in past years and success in attracting a large customer base is partially attributable to our effort to provide excellent customer service. We have a team of highly trained customer service representatives to address customer inquiries, educate potential customers about our products and services and monitor order progress. We also pay close attention to reviews of our business or products on our or third-party websites in order to promptly address customer complaints and to improve our shopping experience and product offerings. Our full-time and part-time customer service representatives are able to provide customer services in 23 languages, and most of these representatives have overseas working experience.

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

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

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

Technology

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

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

- *Front-end Modules.* Our front-end modules support the operation of our user-interface websites, including user account management, website homepages, search functions, category browsing, product display pages, online shopping carts, checkout and order management functions.
- *Back-end Modules.* Our back-end modules support our business operations, including our marketing system, order processing system, inventory management system, sourcing system (which is connected to systems of many of our suppliers for order placement and tracking), product fulfillment system (which is tied to our warehouses), product recommendation system, e-mail delivery system and customer support system. Many of our back-end systems work with each other and our financial operations systems and can generate up-to-date inventory reports and automatically place customized orders with our manufacturers.

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

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

Competition

The retail market for our products is intensely competitive. Customers have many product choices online and offline offered by global, regional and local retailers. Our current or potential competitors include online retailers such as other China-based global online retail companies, retail chains, specialty retailers and sellers on online marketplaces. Each of our competitors has unique strengths that depend on their demographic, product and geographic focus. We may also in the future face competition from new entrants, consolidations of existing competitors or companies created through spin-offs of our larger competitors. For information in relation to the competitive challenges that we face, see “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—The online retail industry is intensely competitive and we may not compete successfully against new and existing competitors, which may materially and adversely affect our results of operations.”

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

Intellectual Property

We rely on a combination of trademark, trade secret, patent and other intellectual property laws as well as confidentiality agreements with our employees, manufacturers and others to protect our intellectual property. We have registered domain names for all of our websites, including www.lightinthebox.com, www.miniinthebox.com, www.ezbuy.com and trademarks and service marks in China, Hong Kong and the European Union, including for Lightinthebox and MiniInTheBox. We also have 19 registered computer software copyrights in China and one registered computer software copyright in the United States. In 2019, our one application of trademark registration in the UK, two in Hong Kong and two in Singapore, respectively, have been approved. We have two registered patents in the United States.

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

Despite our best efforts, however, we cannot be certain that third parties will not infringe or misappropriate our intellectual property rights and that products posted on our websites and mobile applications do not infringe or misappropriate the intellectual property rights of others. For information in relation to the challenges we face protecting our intellectual property, see “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—We may not be able to prevent unauthorized use of our intellectual property, which could harm our business and competitive position.” For information in relation to the challenges we face in relation to preventing our infringement of the intellectual property rights of others, see “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—Products manufactured by our suppliers may be defective or inferior in quality or infringe on the intellectual property rights of others, which may materially and adversely affect our business.”

Seasonality

We experience seasonality in our business, reflecting seasonal fluctuations in online and offline retail patterns in general and for our products. For example, product sales may be higher in the fourth quarter of a calendar year due to the Christmas holidays, and lower during Chinese New Year period when many manufacturers are on vacation. Our product mix may experience quarterly shifts which may cause our margins to fluctuate from quarter to quarter. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—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.”

Insurance

We participate in government sponsored social security programs including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing fund. We currently have limited insurance covering certain of our warehouses but do not maintain insurance for all of our properties. In addition, as is typical in China, we do not maintain business interruption insurance, or general third-party liability insurance, general product liability insurance, or key-man life insurance. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—We do not have any business liability, disruption or litigation insurance and any business disruption or litigation we experience might result in our incurring substantial costs and diversion of resources.”

Regulation

We sell our products to customers around the world, and as such we are subject to a number of laws and regulations in different jurisdictions that affect companies conducting global online retail businesses, many of which are still evolving and could be interpreted in ways that could harm our business. For example, we are subject to laws protecting the privacy of customer non-public information and regulations prohibiting unfair and deceptive trade practices. Other laws in which we may be subject include issues such as user privacy, the tracking of customer activities, marketing e-mails and communications, other advertising and promotional practices, content and quality of products and services, sales and other taxes, import and export laws, electronic contracts and other communications and mandatory data retention.

For example, tax authorities in a number of states in the United States are currently reviewing the appropriate tax treatment of companies engaged in online commerce, and new state tax regulations may subject us to additional state sales and income taxes. New legislation or regulations, the application of laws and regulations from jurisdictions whose laws do not currently apply to our business or the application of existing laws and regulations to the Internet and commercial online services could result in significant additional taxes or regulatory restrictions on our business.

Many states in the United States have passed laws requiring notification to subscribers when there is a security breach of personal data. There are also a number of legislative proposals pending before Congress, various state legislative bodies and foreign governments concerning data protection. In addition, data protection laws in Europe and other jurisdictions outside the United States may be more restrictive, and the interpretation and application of these laws are still uncertain. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our data practices. If so, in addition to the possibility of fines, this could result in an order requiring that we change our data practices, which could have an adverse effect on our business. Complying with these various laws could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business.

Although our products are sold all over the world, our operations are based primarily in China, and as such, we are primarily governed by and especially sensitive to the laws and regulations of China, including the following:

Regulations Relating to Cross-border Trading

The Customs Law, effective as of July 1, 1987 and amended on July 8, 2000, June 29, 2013, December 28, 2013, November 17, 2016 and November 4, 2017, divides imported and exported items into “goods” and “articles” based upon the nature and purpose of such items. Under the Customs Law, “goods” and “articles” are not defined. However, this concept is clarified in the Rules for the Implementation of Administrative Punishments Under the Customs Law, effective as of November 1, 2004. These Rules describes “articles” as postal items and travelers’ luggage that are brought in and out of the PRC on an individual’s person or luggage. When the quantity of articles is higher than a reasonable amount for personal use, it will be regarded as “goods”. “Personal use” means that the traveler or consignee will use the items themselves or give the items as gifts, rather than selling or renting the items. “Reasonable amount” means the regular amount determined in accordance with the traveler or consignee’s situation, purpose of travel and duration of stay. Product samples are also categorized as “goods”, but customs declaration, clearance and inspection procedures for the export of product samples are handled differently from the export of other “goods”.

The Foreign Trade Law, effective as of July 1, 2004 and amended on November 7, 2016, governs international trade in services and the import and export of goods and technologies. Under this law, goods and technologies are categorized as (i) permitted, which may be freely imported and exported, (ii) restricted, which require advance approval or (iii) prohibited, which may not be imported or exported at all. Currently, all merchandise we export is categorized as permitted. Furthermore, an “import and export trader”, or any company or individual engaging in the import or export of goods or technologies, must register with the administrative department of foreign trade under the State Council or any of its authorized bodies in order to be qualified as a foreign trade business operator. According to current foreign trade laws, the Ministry of Commerce and its competent local branches are the authorized bodies to conduct qualification filings and registrations for foreign trade business operators.

The Customs Law requires that importers and exporters make true declarations of their goods and technologies to customs. The Imported and Exported Commodity Inspection Law, issued February 21, 1989 and amended on April 28, 2002, June 29, 2013, April 27, 2018 and December 29, 2018, also requires that certain items listed in the Catalogue of Import and Export Commodities for Inspection, or the Customers Catalogue, must be inspected by a commodity inspection organization authorized by the State Administration for Commodity Inspection before they can be exported. For import and export commodities not listed in the Customers Catalogue, the commodity inspection authorities may conduct random inspections pursuant to the Measures for the Administration of Random Inspection of Import and Export Commodities, issued as of December 31, 2002 and amended as of April 28, 2018. Further, the Ministry of Commerce and the General Administration of Customs jointly adopted a mandatory licensing system for the export of certain merchandise, which exporters must comply with depending on the commodities they export.

The customs declaration, clearance and inspection procedures for goods and articles are different. The declaration of import or export of goods may be made by the consignees or consigners themselves or by customs brokers that have registered with the permission of the customs. The consignees, consigners or customs brokers shall make true declarations and submit the import or export license for restricted goods and relevant documentation to the customs for inspection. Where the commodities are imported or exported by means of express delivery, the consignees or consignor shall entrust an entry-exit express delivery enterprise with the inspection declaration, pursuant to the Regulations on the Implementation of the Law of the People's Republic of China on Import and Export Commodity Inspection, effective as December 1, 2005 and amended on February 6, 2016, March 1, 2017 and March 2, 2019. In addition, a new information management system for express delivery consignments was established on November 30, 2018, according to the Announcement on Initiating the Application of the Information Management System for Inward and Outward Postal Items issued on November 8, 2018, requiring express delivery operators to collect data of each item of mail and submit it to the information management system. The Imported and Exported Commodity Inspection Law also requires that certain goods must be inspected by a commodity inspection organization before they can be exported, while other exported articles are generally exempted from inspection unless otherwise required by law.

We work with third-party couriers to ship the merchandise purchased by our global customers on a parcel-by-parcel basis and to go through customs declaration, clearance and inspection procedures for the export of these merchandise. The customs declaration, clearance and inspection procedures for the merchandise which are packaged and shipped in parcels are handled in accordance with procedures for articles or product samples. If the PRC government determines that our custom declaration practice do not comply with applicable laws and regulations and the merchandise we sell to our global customers shall be exported as goods instead of articles or product samples, it may take regulatory or enforcement actions against us. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—We may be adversely affected by the uncertainties and changes in the PRC regulations and policies of cross-border business activities."

Corporate Laws and Industry Catalogue Relating to Foreign Investment

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC, or the Company Law, effective in 1994 and as amended in 1999, 2004, 2005, 2013 and 2018, respectively. The Company Law is applicable to our PRC subsidiaries, our VIEs and Shanghai Ouku unless the PRC laws on foreign investment have stipulated otherwise.

The establishment, approval, filing, registered capital requirement and day-to-day operational matters of wholly foreign owned enterprises, such as our PRC subsidiaries, Lanting Jishi and Qianhai Xuyi, are regulated by the Wholly Foreign owned Enterprise Law of the PRC, effective in 1986 and as amended in 2000 and 2016, and the Implementation Rules of the Wholly Foreign Owned Enterprise Law of the PRC, effective in 1990, as amended in 2001 and 2014. Under those rules, in those cases where the establishment of a given wholly foreign-owned enterprise does not involve any special restriction under applicable PRC regulations, the establishment, breakup, merger or any other major change to such wholly foreign-owned enterprise will be subject to record-filing requirements. On March 13, 2019, the National People's Congress promulgated the PRC Foreign Investment Law, effective January 1, 2020 and replacing a trio of existing laws regulating foreign investment in China: namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign owned Enterprise Law, together with their implementation rules and ancillary regulations. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The Foreign Investment Law references pre-establishment national treatment along with a negative industry list for foreign investment.

Investment activities in the PRC by foreign investors are currently principally governed by the Catalogue of Industries that Encourage Foreign Investment and the Special Administrative Measures on Foreign Investment, or the Catalogues, which was promulgated and is amended from time to time by the Ministry of Commerce and the National Development and Reform Commission. Industries not prohibited the Catalogue are generally open to foreign investment unless specifically restricted by other PRC regulations. The State Council is in charge of issuing the Negative Industry List for Foreign Investment and list industry sectors prohibited to foreign investment. The 2019 Catalogue of Industries that Encourage Foreign Investment was promulgated on July 30, 2019.

Establishment of wholly foreign owned enterprises is generally permitted in encouraged industries. Some restricted industries are limited to equity or contractual joint ventures, while in some cases Chinese partners are required to hold the majority interests in such joint ventures. In addition, restricted category projects are also subject to higher-level government approvals. Foreign investors are not allowed to invest in industries in the prohibited category.

Regulations Relating to Internet Information Services and Content of Internet Information

On September 25, 2000, the State Council issued the Administrative Measures on Internet Information Services, or the Internet Measures, to regulate the provision of information services to online users through the Internet, which was subsequently amended on January 9, 2011. According to the Internet Measures, entities engaged in the provision of Internet information services within the PRC should obtain either (i) an “Internet Content Provider” license issued by the MIIT or its local bureau (ICP License), if the services in question are regarded as “commercial Internet information services”; or (2) an ICP filing with the local MIIT bureau (ICP Filing), if the services in question are regarded to as “non-commercial services”. The former refers to “information, web page creation and other services provided to Internet users via the Internet for consideration”, while the latter refers to “services that provide information of a publicly available and accessible nature to Internet users via the Internet for gratis”.

The Internet Measures further specify that Internet information services regarding, among others, news, publication, education, medical and health care, pharmacy and medical appliances are required to be examined, approved and regulated by the relevant authorities. Internet content providers are prohibited from providing services beyond that included in the scope of their business license or other required licenses or permits. Furthermore, the Internet Measures clearly specify a list of prohibited content. Internet content providers must monitor and control the information posted on their websites. If any prohibited content is found, they must remove the offending content immediately, keep a record and report to the relevant authorities.

On February 4, 2015, the China Internet Network Information Center promulgated the Administrative Provisions on Account Names of Internet Users, or the Account Names Provisions, which became effective as of March 1, 2015. The Account Name Provisions require all Internet information service provider users to authenticate their real identity information for registration of accounts and to commit to complying with the “seven basic requirements”, including observing the laws and regulations, upholding the socialist regime, protecting state interests, as well as ensuring the authenticity of any information they provide. Relevant Internet information service providers are responsible for protecting users’ privacy, the consistency between user information, such as account names, avatars, and the requirements contemplated in the Account Names Provisions, making reports to the competent authorities regarding any violation of the Account Names Provisions, and taking appropriate measures to stop any such violations, such as, notifying users to make corrections within a specified time and suspending or closing accounts in the event of continued noncompliance by users.

Regulation Relating to E-Commerce

China’s e-commerce industry is at an early stage of development and there are few PRC laws or regulations specifically regulating the e-commerce industry. In January 2014, the SAIC issued the Administrative Measures on Online Trading, or the Administrative Measures. The Administrative Measures regulate online trading, including selling items and providing services through the Internet. In addition to basic requirements that online sellers and service provider, or together the Operator, should abide by the requirements of the PRC Consumer Rights and Interests Protection Law and similar rules, the Administrative Measures emphasize that an Operator is responsible for personal data protection. In this respect, Operators are obliged to (i) seek consumers’ prior consent for collecting and using their personal data, (ii) keep the collected data confidential and secured, and (iii) take effective measures to remedy any leakage or loss of personal data. In addition, the Administrative Measures set specific requirements for operators of third party platforms that provide a web space for parties to transact business. These requirements include authenticating the Operator’s identification, signing a contract with the Operator for the use of the platform, setting rules for online trading, security and dispute resolution, cooperation with the local administrations of industry and commerce, taking measures to protect trademark rights and corporate name rights, distinguishing its own products or service from those of other Operators, and keep online trading records for at least two years.

On December 24, 2014, the MOFCOM issue the Provisions on the Procedures for Formulating Transaction Rules of Third- party Platforms for Internet Retail (for Trial Implementation), or the Procedures Provisions, effective as of April 1, 2015. The Procedures Provisions were promulgated to promote the healthy development of Internet retail, protect the legitimate rights and interests of various parties involved in Internet retail activities based on third-party platforms, safeguard the public interest, and strengthen public information services. It specifies the duties of operators of third-party platforms for Internet retail, which are to make relevant transactions rules public and recorded, solicit public opinions when such operators formulate or revise their transaction rules, adapt reasonable transitional measures if the transaction rules that are formulated, revised or enforced by them have a material impact on Internet retail operators and consumers, and similar measures. In addition, the Procedure Provisions also give the power to the local competent commerce authorities to impose penalties on operators where there is a violation.

On August 31, 2018, the E-Commerce Law was approved by the Standing Committee of the National People’s Congress, effective as of January 1, 2019. The E-Commerce Law imposes stricter requirements on e-commerce platform operators regarding intellectual property protection and false advertising. Per this law, an operator of an e-commerce platform should take necessary measures against practices of operators on its platform that impair lawful rights and interests of consumers, fulfill obligations to examine qualifications of operators on its platform, and fulfill obligations to ensure security for consumers. Meanwhile, e-commerce operators shall abide by relevant provisions in the Advertising Law, for example, commodities or services ranked under competitive bidding (e.g. paid search listings) are to be distinctively marked with the word “advertisement”; and advertisements sent through electronic means should expressly indicate the true identities and contact information of the e-commerce operator, while recipients should be provided the option to opt out of future advertisements. The E-Commerce Law further provides that platform operators should not engage in false or misleading commercial promotion by fabrication and dissemination of transactions and consumer reviews.

Regulations Relating to Privacy Protection

In recent years, the PRC government authorities have enacted legislation on Internet use to protect personal information from any unauthorized disclosure. Current PRC laws do not prohibit ICP operators from collecting and using personal information from their users with consent. However, the Internet Measures prohibit an ICP operator from insulting or slandering a third party or infringing the lawful rights and interests of a third party. Pursuant to the BBS Measures, ICP operators that provide electronic messaging services must keep users' personal information confidential and must not disclose such personal information to any third party without their consent or unless required by law. The regulations further authorize the relevant telecommunications authorities to order ICP operators to rectify their unauthorized disclosure. ICP operators are subject to legal liability if the unauthorized disclosure results in damages or losses to users. The PRC government, however, has the power and authority to order ICP operators to turn over personal information if an Internet user posts any prohibited content or engages in illegal activities on the Internet. On December 29, 2011, the MIIT promulgated the Several Provisions on Regulating the Market Order of Internet Information Services, effective as of March 15, 2012. It stipulates that ICP operators may not, without a user's consent, collect the user's information that can be used alone or in combination with other information to identify the user and may not provide any such information to third parties without the user's prior consent. ICP operators may only collect users' personal information that is necessary to provide their services and must expressly inform the users of the method, content and purpose of the collection and using of such personal information. In addition, an ICP operator may only use users' personal information for the stated purposes under the ICP operator's scope of service. ICP operators are also required to ensure the proper security of users' personal information, and take immediate remedial measures if users' personal information is suspected to have been inappropriately disclosed. If the consequences of any such disclosure are expected to be serious, ICP operators must immediately report the incident to the telecommunications regulatory authority and cooperate with the authorities in their investigations. On December 28, 2012, the Standing Committee of the National People's Congress of the PRC issued the Decision on Strengthening the Protection of Online Information. Most requirements under this decision relevant to ICP operators are consistent with the requirements already established under the MIIT provisions discussed above, but are often stricter and broader. Under this decision, ICP operators are required to take such technical and other measures necessary to safeguard the information against inappropriate disclosure. To further implement this decision and relevant rules, MIIT issued the Regulation of Protection of Telecommunication and Internet User Information on July 16, 2013, which became effective on September 1, 2013.

On November 7, 2016, the Standing Committee of the National People's Congress issued the Cyber Security Law, which came into effect on June 1, 2017. The Cyber Security Law imposes certain data protection obligations on network operators, including that network operators may not disclose, tamper with, or damage users' personal information that they have collected, and are obligated to delete unlawfully collected information and to amend incorrect information. Moreover, Internet operators may not provide users' personal information to others without consent. Exempted from these rules is information irreversibly processed to preclude identification of specific individuals. Also, the Cyber Security Law imposes breach notification requirements that will apply to breaches involving personal information.

Following the Cyber Security Law, the State Administration for Quality Supervision and Inspection and Quarantine (now incorporated into SAMR) and China National Standardization Management Committee issued the Technological Standards for Information Security and Personal Information Security on December 29, 2017, which supplements and refines Cyber Security Law in many aspects and became effective on May 1, 2018. The standard further subdivides personal information into general information and sensitive information, and for sensitive information, including without limitation, ID number, bank account, property information, transaction information, provides that it shall be collected only with the explicit, specific, distinct and clear consent of the users on a fully informed basis.

Further, on August 31, 2018, the Standing Committee of the National People's Congress issued the E-commerce Law, which came into force as of January 1, 2019 and specifically regulates e-commerce activities conducted within the territory of the People's Republic of China. Generally, e-commerce operators shall abide by the provisions on the protection of personal data as stipulated in laws and administrative regulations when collecting and using the personal data of users, and when competent authorities require e-commerce operators to provide relevant e-commerce data information.

We believe that we are currently in compliance with these regulations in all material aspects.

Regulations on Intellectual Property Rights

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

Patent

The National People's Congress adopted the Patent Law in 1984, which was subsequently amended in 1992, 2000 and 2008. The purpose of the Patent Law is to protect lawful interests of patent holders, encourage invention, foster applications of invention, enhance innovative capabilities and promote the development of science and technology. To be patentable, invention or utility models must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds, substances obtained by means of nuclear transformation or a design which has major marking effect on the patterns or colors of graphic print products or a combination of both patterns and colors. The Patent Office under the State Intellectual Property Office (now incorporated into the State Administration for Market Regulation) is responsible for administering patents in the PRC. A patent is valid for a term of 20 years in the case of an invention and a term of ten years in the case of utility models and designs, each starting from application date. A third-party user must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of patent rights.

China follows a “first to file” principle for patents. When more than one person files a patent application for the same invention, the patent will be granted to the person who first filed the application. In addition, the PRC requires absolute novelty in order for an invention to be patentable. Pursuant to this requirement, generally, with limited exceptions, any prior written or oral publication in or outside the PRC, demonstration or use in the PRC before the patent application filing prevents an invention from being patented in the PRC. Patents issued in the PRC are not enforceable in Hong Kong, Taiwan or Macau, each of which has an independent patent system. The fact that a patent application is pending is no guarantee that a patent will be granted and, even if granted, the scope of a patent may not be as broad as that of the initial application.

When a patent infringement dispute arises, the patent holder or an interested party who believes the patent is being infringed may either file a civil lawsuit or file a complaint with the relevant authorities in charge of the patent administration. A PRC court may grant the patent holder’s or the interested party’s request for a preliminary injunction before the legal proceeding. Pursuant to the Patent Law, an infringer shall be subject to various civil liabilities, which include ceasing the infringement and compensating the actual loss suffered by patent owners. If it is difficult to calculate the actual loss suffered by the patent owner, the illegal income received by the infringer as a result of the infringement or if it is difficult to calculate the illegal income, a reasonable amount calculated with reference to the patent royalties shall be deemed as the actual loss. The compensation amount shall also include the reasonable expenses incurred by the patent owner for stopping the infringement. If damages cannot be established by any of the above methods the court can decide the amount of the actual loss up to RMB1,000,000. In addition, an infringer who counterfeits patents of third parties shall be subject to administrative penalties or criminal liabilities if applicable. Typically, a patent holder in the PRC has the burden of proving that the patent is being infringed. However, if the holder of a production process patent alleges infringement of such patent, the alleged infringing party which produces the same kind of products has the burden of proving that there has been no infringement.

We have registered two patents in the United States and one patent in the PRC.

Copyright

Copyrights are protected by the Copyright Law of the PRC which was promulgated in 1990 and amended in 2001 and February 2010 and the Regulation for the Implementation of the Copyright Law of the PRC which came into effect in September 2002 and was amended in January 2011 and further amended in January 2013. The amended Copyright Law extends copyright protection to Internet activities, products disseminated over the Internet and software products. In addition, there is a voluntary registration system administered by local Copyright Bureaus and the China Copyright Protection Center. The amended Copyright Law also requires registration of a copyright pledge.

Copyrights shall vest on the authors, unless otherwise provided under the laws. If a work constitutes “work for hire”, the employer, instead of the employee, is considered the legal author of the work and will enjoy the copyrights of such “work for hire” other than rights of authorship. “Works for hire” include, (1) drawings of engineering designs and product designs, maps, computer software and other categories, which are created mainly with the materials and technical resources of the legal entity or organization with responsibilities being assumed by such legal entity or organization; (2) those works the copyrights of which are, in accordance with the laws or administrative regulations or under contractual arrangements, enjoyed by a legal entity or organization. The actual creator may enjoy the rights of authorship of such “work for hire.” A copyright owner may transfer its copyrights to others or permit others to use its copyrighted works. Use of copyrighted works of others generally requires a licensing contract with the copyright owner. The protection period for copyrights in the PRC varies, with 50 years as the minimum. The protection period for a “work for hire” where a legal entity or organization owns the copyright (except for the right of authorship) is 50 years, expiring on December 31 of the fiftieth year after the first publication of such work.

In China, holders of computer software copyrights enjoy protections under the Copyright Law. Various regulations relating to the protection of software copyrights in China have promulgated. Under these regulations, computer software that is independently developed and exists in a physical form is protected, and software copyright owners may license or transfer their software copyrights to others. Registration of software copyrights, exclusive licensing and transfer contracts with the Copyright Protection Center of China or its local branches is encouraged. Such registration is not mandatory under Chinese law, but can enhance the protections available to the registered copyrights holders.

Where copyright or a copyright-related right is infringed, the infringer shall make compensation according to the actual losses incurred by the right owner. Where the actual losses are difficult to calculate, the compensation may be paid according to the illegal incomes obtained by the infringer. The compensation amount shall also include the reasonable expenses incurred by the right owner for preventing the infringement. Where neither the actual losses incurred by the right owner nor the illegal gains obtained by the infringer is determinable, the court may render a ruling to award compensation in an amount not more than RMB500,000.

We have 19 registered computer software copyrights in China as of December 31, 2019 and one registered computer software copyright in the United States.

Trademark

Pursuant to the Trademark Law of the People's Republic of China (《中华人民共和国商标法》) (promulgated on August 23, 1982 and implemented on March 1, 1983 and last amended on 23 April 2019, effective since November 1, 2019) and the Regulation for the Implementation of the Trademark Law of the People's Republic of China (《中华人民共和国商标法实施条例》) (promulgated on August 3, 2002 and implemented on September 15, 2002 and last amended on April 29, 2014 and implemented on May 1, 2014), the right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to commodities for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten years, counted from the day the registration is approved. If a trademark registrant wishes to use a trademark after the expiration of the duration of the trademark registration, according to the requirements, a registration renewal application should be filed within twelve months prior to the expiration. Each registration renewal is valid for ten years. Using a trademark that is identical with a registered trademark on the same commodities without the licensing of the registrant of the registered trademark; or using a trademark that is similar to a registered trademark on the same commodities, or using a trademark that is identical with or similar to the registered trademark on similar commodities without the licensing of the registrant of the registered trademark, which is likely to cause confusion; selling commodities that infringe upon the exclusive right to use a registered trademark; forging, manufacturing a registered trademark which was registered by others without authorization, or selling a registered trademark forged or manufactured without authorization; changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of the registered trademark; providing, intentionally, convenience for activities infringing upon others' exclusive right to use a registered trademark, and facilitating others to commit infringement on the exclusive right to use a registered trademark, constitutes an infringement of the exclusive right to use a registered trademark. The infringer must undertake to cease the infringement, take remedial action and pay damages. The infringer also may be subject to fines or even criminal punishment.

Selling goods without awareness of such goods' infringement of the exclusive right to use a trademark shall be exempted from liability for compensation insofar as the seller is able to prove that the goods were lawfully obtained and can indicate the supplier's identity.

We have registered our logos as trademarks in China, including Lightinthebox and ouku.

Domain Names

On August 24, 2017, Ministry of Industry and Information Technology of the People's Republic of China, or the MIIT, promulgated the Administrative Measures for Internet Domain Names, or Internet Domain Name Measures. The Domain Name Measures regulate the registration of domain names, such as the first tier domain name ".cn." In 2009, China Internet Network Information Center, or the CNNIC, issued the Implementing Rules for Domain Name Registration setting forth detailed rules for registration of domain names, which was amended on May 28, 2012. On September 1, 2014, CNNIC issued the Measures of the China Internet Network Information Center for Resolving Disputes over Domain Names, pursuant to which the CNNIC can authorize a domain name dispute resolution institution to decide disputes. These regulations require owners of Internet domain names to register their domain names with qualified domain name registrars approved by the MIIT and obtain registration certificates from such registration agencies. A registered domain name owner has the exclusive right to use its domain name. Unregistered domain names may not receive proper legal protections and may be misappropriated by unauthorized third parties.

We and our VIEs have registered domain names for all of our websites, including www.lightinthebox.com, www.miniinthebox.com and www.ezbuy.com.

Anti-unfair Competition.

Under the Anti-Unfair Competition Law, effective in 1993 and revised in December 2017 and April 2019, a business operator is prohibited from carrying out acts intending to cause confusion, which would mislead others into thinking that its products belong to another party or that there is an association with another party, by:

- using without permission, a mark that is identical with or similar to product names, packaging or decoration of others with a certain degree of influence;
- using without permission, the name of an enterprise, a social organization or an individual with a certain degree of influence;
- using without permission, the main element of a domain name, website name or webpage with a certain degree of influence;
- carrying out confusing acts that are intended to mislead others into thinking that a product belongs to another party or there is an affiliation with another party.

Regulations Relating to Foreign Currency Exchange

Foreign Exchange Relating to Export Businesses

Foreign exchange activities relating to import and export trading in China are primarily governed by the following regulations:

- the Foreign Exchange Administration Rules (2008), or the Exchange Rules;
- the Administration Rules for the Settlement, Sale and Payment of Foreign Exchange (1996), or the Administration Rules; and
- Circular of the State Administration of Foreign Exchange on Standardizing the Verification of Electronic Receipt and Payment Documents for Trade in Goods (2016).

These foreign exchange regulations, along with certain other ancillary notices issued by the SAFE, lay out the legal framework for the administration of foreign exchange for the export of commodities in international trade. Under these foreign exchange regulations, the exporter, in order to receive the proceeds of the export in foreign exchange and settle the same into Renminbi, must apply with the local branch of the SAFE for a certificate of verification and cancellation of export proceeds in foreign exchange unless otherwise provided under the applicable laws and regulations. The exporter must also apply with the competent tax authorities for a tax exemption or refund where a tax exemption or refund is applicable.

We source many of our products from suppliers in the PRC. Our payments are in most cases made to the suppliers' entities located in Hong Kong and in some cases are made to sourcing agents located in Hong Kong for further settlement with our suppliers. Our payments are made directly to such Hong Kong entities and thus are not subject to the PRC foreign exchange laws and regulations. Following receipt of the payment in foreign exchange either from the agents to the PRC suppliers or from suppliers' own entities located in Hong Kong to the suppliers' entities in mainland China, the PRC suppliers shall go through the relevant procedures with the local branch of the SAFE as mentioned above to settle the foreign exchange into Renminbi. However, we cannot assure you that all our sourcing agents or the PRC suppliers will fully comply with these foreign exchange laws and regulations.

Foreign Exchange Relating to FIEs

Under current Chinese regulations, Renminbi are freely convertible for trade and service-related transactions denominated in foreign currency, but not for direct investment, loans or investments in securities outside China without the prior approval of the SAFE or its local branches.

FIEs in China may execute foreign exchange transactions without the SAFE approval for trade and service-related transactions denominated in foreign currency by providing commercial documents evidencing these transactions. They may also retain foreign currency, subject to a cap approved by the SAFE, to satisfy foreign currency-denominated liabilities or to pay dividends. Foreign exchange transactions related to direct investment, loans and investment in securities outside China are still subject to limitations and require approval from the SAFE.

On March 30, 2015, SAFE issued the SAFE Circular 19, which became effective on June 1, 2015. Pursuant to SAFE Circular 19, foreign-invested enterprises may either continue to follow the current payment-based foreign currency settlement system or choose to follow the "conversion-at-will" system for foreign currency settlement. Where a foreign-invested enterprise follows the conversion-at-will system for foreign currency settlement, it may convert part or all of the amount of the foreign currency in its capital account into Renminbi at any time. The converted Renminbi will be kept in a designated account labeled as settled but pending payment, and if the foreign-invested enterprise needs to make payment from such designated account, it still needs to go through the review process with its bank and provide necessary supporting documents. SAFE Circular 19, therefore, has substantially lifted the restrictions on the usage by a foreign-invested enterprise of its Renminbi registered capital converted from foreign currencies. There remain substantial uncertainties with respect to the interpretation and implementation of this circular by relevant authorities. On June 9, 2016, SAFE issued Notice on Reform and Regulation of Currency Exchanges for Capital Investments, which, among others, provides certain restrictions on the use of proceeds from currency exchange. Furthermore, on October 23, 2019 SAFE issued Notice on Further Facilitation of Cross-board Trade Investments, which allows equity investment in domestic companies by certain foreign entities.

Regulations on Dividend Distributions

The principal regulations governing dividend distributions of wholly foreign owned companies in China include the Companies Law (2013), as amended in 2018 and the PRC Foreign Investment Law (2019), including the relevant implementation rules subsequently promulgated.

Under these regulations, wholly foreign owned companies in China may pay dividends only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. In addition, wholly foreign owned companies are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds, until the aggregate amount of these funds reaches 50% of the company's registered capital. Wholly foreign owned companies may, at their discretion, allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends.

Regulations on Tax

PRC Enterprise Income Tax

The PRC enterprise income tax is calculated based on the taxable income determined under the applicable Enterprise Income Tax Law and its implementation rules. On March 16, 2007, the National People's Congress of China enacted the New EIT Law, which became effective on January 1, 2008 and were amended on February 24, 2017 and December 29, 2018. On December 6, 2007, the State Council promulgated the implementation rules to the New EIT Law, which also became effective on January 1, 2008 and amended in on April 23, 2019. On December 26, 2007, the State Council issued the Notice on Implementation of Enterprise Income Tax Transition Preferential Policy under the New EIT Law, or the Transition Preferential Policy Circular, which became effective simultaneously with the New EIT Law. The New EIT Law was further amended on February 24, 2017 and December 29, 2018. The New EIT Law imposes a uniform enterprise income tax rate of 25% on all resident enterprises in China, including FIEs and domestic enterprises, unless they qualify for certain exceptions, and terminates most of the tax exemptions, reductions and preferential treatments available under the old Enterprise Income Tax Law and regulations. Under the New EIT Law and the Transition Preferential Policy Circular, qualified enterprises established before March 16, 2007 that already enjoyed preferential tax treatments will continue to enjoy them (i) in the case of preferential tax rates, for a maximum of five years starting from January 1, 2008 and during the five-year period, the tax rate will gradually increase from their current preferential tax rate to 25%, or (ii) in the case of preferential tax exemption or reduction for a specified term, until the expiration of such term. For enterprises that are not profitable enough to enjoy the preferential tax exemption or reduction referred to in (ii) above, the preferential duration shall commence from 2008.

Prior to the effectiveness of the New EIT Law on January 1, 2008, domestic companies were generally subject to an enterprise income tax at a statutory rate of 33%.

The New EIT Law and its implementation rules permit "high and new technology enterprises strongly supported by the state" holding independent ownership of core intellectual property and meeting certain other criteria, as stipulated in the implementation rules and other regulations, to enjoy a reduced enterprise income tax rate of 15%. The State Administration of Taxation, the Ministry of Science and Technology and the Ministry of Finance jointly issued Notice to Amendment to the Administrative Rules for the Certification of High and New Technology Enterprises in January 2016, which delineate the specific criteria and procedures for the certification of "high and new technology enterprises". The New EIT Law and its implementation rules also provide that "software enterprises" enjoy a two-year income tax exemption starting from the first profit making year, followed by a reduced tax rate of 12.5% for the subsequent three years.

Uncertainties exist with respect to how the New EIT Law applies to our tax residency status. Under the New EIT Law, an enterprise established outside of the PRC with "de facto management bodies" within the PRC is considered a "resident enterprise," which means that it can be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes, although the dividends paid to one resident enterprise from another may qualify as "tax-exempt income." Though the implementation rules of the New EIT Law define "de facto management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise," the only detailed guidance currently available for the definition of "de facto management body" as well as the determination of an offshore incorporated PRC tax resident and its administration are set forth in Circular 82 and Bulletin No. 45 issued by the SAT, which provide guidance on the administration as well as determination of the tax residency status of a Chinese-controlled offshore-incorporated enterprise, defined as an enterprise that is incorporated under the law of a foreign country or territory and that has a PRC enterprise or PRC enterprise group as its primary controlling shareholder. Although we do not have a PRC enterprise or enterprise group as our primary controlling shareholder and are therefore not a Chinese-controlled offshore-incorporated enterprise within the meaning of Circular 82, in the absence of guidance specifically applicable to us, we have applied the guidance set forth in Circular 82 to evaluate the tax residency status of our legal entities organized outside the PRC.

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

- the primary location of the day-to-day operational management is in the PRC;
- decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC;
- the enterprise's primary assets, accounting books and records, company seals and board and shareholder resolutions are located or maintained in the PRC; and
- 50% or more of voting board members or senior executives habitually reside in the PRC.

In addition, Bulletin No. 45 provided clarification on the resident status determination, post-determination administration, and competent tax authorities. It also specifies that when provided with a copy of a PRC resident determination certificate from a resident Chinese-controlled offshore-incorporated enterprise, the payer should not withhold 10% income tax when paying certain PRC-sourced income such as dividends, interest and royalties to the Chinese-controlled offshore-incorporated enterprise.

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

We do not believe that we meet all of the conditions above. We are a company incorporated outside the PRC. As a holding company, our key assets and records, including the resolutions of our board of directors and the resolutions of their respective shareholders, are located and maintained outside the PRC. In addition, we are not aware of any offshore holding companies with a corporate structure similar to ours that has been deemed a PRC "resident enterprise" by the PRC tax authorities. Therefore, we believe that we should not be treated as a "resident enterprise" for PRC tax purposes if the criteria for "de facto management body" as set forth in the Circular 82 were deemed applicable to us. However, as the tax residency status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body" as applicable to our offshore entities, we will continue to monitor our tax status. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—We may be deemed a PRC resident enterprise under the New EIT Law and be subject to PRC taxation on our income."

Although we believe we are not a PRC resident enterprise for enterprise income tax purposes, substantial uncertainty regarding our status still exists. In the event that our company or any of our Hong Kong subsidiaries is considered to be a PRC resident enterprise, (1) our company or any of our Hong Kong subsidiaries would be subject to the PRC enterprise income tax at the rate of 25% on worldwide income; and (2) dividend income that our Hong Kong subsidiaries receives from our PRC subsidiaries, however, may be exempt from the PRC withholding tax since such income is exempted under the New EIT Law for PRC resident enterprise recipients. See "Item 3. Key Information—D. 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 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 businesses."

On February 3, 2015, the SAT issued SAT Notice on the Collection of Corporate Income Tax by Indirect Transfer of Assets by Non-Resident Companies, or SAT Circular 7. Pursuant to SAT Circular 7, except for a few circumstances falling into the scope of the safe harbor provided by SAT Circular 7, such as open market trading of stocks in public companies listed overseas, if a non-PRC resident enterprise indirectly transfers PRC taxable properties (i.e. properties of an establishment or a place in the PRC, real estate properties in the PRC or equity investments in a PRC tax resident enterprise) by disposing of equity interests or other similar rights in an overseas holding company, without a reasonable commercial purpose and resulting in the avoidance of PRC enterprise income tax, such indirect transfer should be deemed as a direct transfer of PRC taxable properties and gains derived from such indirect transfer may be subject to the PRC withholding tax at a rate of up to 10%. SAT Circular 7 sets out several factors to be taken into consideration by tax authorities in determining whether an indirect transfer has a reasonable commercial purpose, such as whether the main value of equity interests in an overseas holding company is derived directly or indirectly from PRC taxable properties. An indirect transfer satisfying all the following criteria will be deemed to lack reasonable commercial purpose and be taxable under PRC law without considering other factors set out by SAT Circular 7: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from the PRC taxable properties; (ii) at any time during the one-year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the PRC taxable properties are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gain derived from the indirect transfer of the PRC taxable properties is lower than the potential PRC income tax on the direct transfer of such assets. SAT Circular 7 also introduces an interest regime by providing that where a transferor fails to file and pay tax on time, and where a withholding agent fails to withhold the tax, interest will be charged on a daily basis. If the transferor has provided the required documents and information or has filed and paid the tax within 30 days from the date that the share transfer contract or agreement is signed, then interest shall be calculated based on the benchmark interest rate; otherwise, the benchmark interest rate plus 5% will apply. Both the foreign transferor and the transferee, and the PRC tax resident enterprise whose equity interests are being transferred, may voluntarily report the transfer by submitting the documents required in SAT Circular 7. SAT Circular 7 is new and there are still uncertainties as to its interpretation and implementation. It brings challenges to both the foreign transferor and transferee of the indirect transfer as they are required to make self-assessment on whether the transaction should be subject to PRC tax and to file or withhold the PRC tax accordingly. Further, the PRC tax authorities have discretion under SAT Circular 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of investment.

Value Added Tax

Our PRC subsidiaries and VIEs are subject to value added tax, or VAT, on revenue from sale of products in the PRC and are entitled to a refund for VAT already paid or borne on the goods purchased by them and utilized in the production of goods that have generated gross sales proceeds.

Dividends Withholding Tax

Under the old Enterprise Income Tax Law effective prior to January 1, 2008, dividends paid to foreign investors by FIEs would be exempt from PRC withholding tax. We are a Cayman Islands holding company and substantially all of our income may come from dividends we receive from our subsidiaries, Light In The Box Limited, and Ezbuy Holdings Limited, two Hong Kong registered companies and their PRC subsidiaries and our VIEs. Substantially none of our total revenues in 2019 were generated from product sales via our websites and third-party online marketplace platforms targeting consumers in China. Pursuant to the New EIT Law and its implementation rules, dividends generated after January 1, 2008 and distributed to us by Lanting Jishi and Qianhai Xuyi, our PRC subsidiaries directly held by Light In The Box Limited and Ezbuy Holdings Limited, respectively, may be subject to withholding tax at a rate of up to 10%. Pursuant to the Double Taxation Avoidance Arrangement, dividends that Light In The Box Limited receives from Lanting Jishi and Ezbuy Holdings Limited receives from Qianhai Xuyi may be subject to withholding tax at a rate of 5%, provided that the conditions and requirements under the Double Taxation Avoidance Arrangement have been satisfied, and subject to the assessment and approval of our relevant local tax authority.

Regulations on Offshore Investment by PRC Residents

On July 4, 2014, the SAFE promulgated the Notice on Relevant Issues Concerning Foreign Exchange Control of Domestic Residents' Overseas Investment and Financing and Round-trip Investment through Offshore Special Purpose Vehicles, or SAFE Circular 37, which replaced the former Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles, or SAFE Circular 75, promulgated by the SAFE in 2005.

SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, which is referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as an increase or decrease of capital contributed by PRC residents, share transfer or exchange, merger, division or other material events. In the event that a PRC resident holding interests in a special purpose vehicle fails to complete the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiaries. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—PRC regulations relating to the establishment of offshore special purpose companies by PRC domestic residents and registration requirements for employee stock ownership plans or share option plans may subject our PRC resident beneficial owners or the plan participants to personal liability, limit our ability to inject capital into our PRC subsidiary, limit our PRC subsidiary's ability to increase its registered capital or distribute profits to us, or may otherwise adversely affect us."

In addition, PRC subsidiaries of an offshore special purpose company are required to coordinate and supervise the filing of foreign exchange registrations by the offshore holding company's shareholders who are PRC residents in a timely manner. If these shareholders fail to comply, the PRC subsidiaries of the offshore parent company may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company and the offshore parent company may be restricted in its ability to contribute additional capital into its PRC subsidiaries. Moreover, failure to comply with the above foreign exchange registration requirements could result in liabilities for such PRC subsidiaries under PRC laws for evasion of foreign exchange restrictions, including (i) requirement by the SAFE to return the foreign exchange remitted overseas within a period specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas and deemed evasive and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive. Furthermore, the persons-in-charge and other persons at such PRC subsidiaries who are held directly liable for the violations may be subject to administrative sanctions.

Regulations on Employee Stock Option Plans

In December 2006, the People's Bank of China promulgated the Administrative Measures of Foreign Exchange Matters for Individuals, setting forth the respective requirements for foreign exchange transactions by individuals (both PRC and non-PRC citizens) under either the current account and the capital account. In January 2007, the SAFE issued implementing rules for the Administrative Measures of Foreign Exchange Matters for Individuals, or Stock Option Rules, which, among other things, specified the approval requirements for certain capital account transactions, such as a PRC citizen's participation in employee stock ownership plans or share option plans of overseas listed companies, and it was further amended on May 29, 2016. On March 28, 2007, the SAFE promulgated the Stock Option Rules. In February 2012, the SAFE promulgated the Stock Option Notice. This Stock Option Notice replaced the previous Stock Option Rules. The Stock Option Notice simplifies the requirements and procedures for the registration of stock incentive plan participant, especially in respect of the required application documents and the absence of strict requirements on offshore and onshore custodian banks, as were stipulated in the Stock Option Rules. The purpose of the Stock Option Notice is to regulate the foreign exchange administration of PRC resident individuals who participate in employee stock incentive plans of overseas listed companies.

According to the Stock Option Notice, if a PRC resident individual participates in stock incentive plans of an overseas listed company, which includes employee stock ownership plan share option plan and other incentive plans permitted by relevant laws and regulations, a PRC domestic qualified agent or the PRC subsidiary of such overseas listed company must, among other things, file, on behalf of such resident, an application with the SAFE or its local counterpart to obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with stock holding or share option exercises as PRC resident individuals may not directly use overseas funds to purchase shares or exercise share options. With the approval from the SAFE or its local counterpart, the PRC domestic qualified agent or the PRC subsidiary shall open a special foreign exchange account at a PRC domestic bank to hold the funds required in connection with the stock purchase or option exercise, any returned principal or profits upon sales of shares, any dividends issued on the stock and any other income or expenditures approved by the SAFE or its local counterpart. In addition, within three months after any substantial changes to any such stock incentive plan, including, for example, any changes due to a merger or acquisition or changes to the domestic or overseas custodian agent, the domestic agent must update the registration with SAFE.

Under the Foreign Currency Administration Rules (1996), as amended in 1997 and 2008, the foreign exchange proceeds of domestic entities and individuals can be remitted into China or deposited abroad, subject to the terms and conditions to be issued by the SAFE. However, to date, the SAFE has not issued any implementing rules in respect of depositing the foreign exchange proceeds abroad. Currently, the foreign exchange proceeds from the sales of shares can be converted into Renminbi or transferred to such individuals' foreign exchange savings account after the proceeds have been remitted back to the special foreign exchange account opened at the PRC domestic bank. If share options are exercised on a noncash basis, the PRC domestic individuals are required to remit the proceeds to special foreign exchange accounts.

Furthermore, the Notice concerning the Individual Income Tax on Earnings From Employee Stock Options jointly issued by the Ministry of Finance and the SAT on March 28, 2005 and amended by the Circular on Issues concerning the Connection of Relevant Preferential Policies after the Revision of the Law on Individual Income Tax on December 27, 2018, and its implementing rules, provide that domestic companies that implement employee share option programs shall (1) file the employee share option plans and other relevant documents to the local tax authorities having jurisdiction over them before implementing such employee share option plans; (2) file share option exercise notices and other relevant documents with the local tax authorities having jurisdiction over them before exercise by the employees of the share options and clarify whether the shares issuable under the employee share options mentioned in the notice are the shares of publicly listed companies; and (3) withhold taxes from the PRC employees in connection with the PRC individual income tax.

Our board of directors adopted the Amended and Reinstated 2008 Share Incentive Plan on October 27, 2008 and the 2019 Share Incentive Plan on January 20, 2019, pursuant to which we may issue employee stock options to our qualified employees and directors on a regular basis. We and our PRC employees who have participated in the Amended and Reinstated 2008 Share Incentive Plan and the 2019 Share Incentive Plan are subject to the Stock Option Rules as our company is an overseas listed company. However, we cannot assure you that our PRC individual beneficiary owners and the stock options holders can successfully register with the SAFE in full compliance with Stock Option Notice. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—PRC regulations relating to the establishment of offshore special purpose companies by PRC domestic residents and registration requirements for employee stock ownership plans or share option plans may subject our PRC resident beneficial owners or the plan participants to personal liability, limit our ability to inject capital into our PRC subsidiary, limit our PRC subsidiary's ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us."

Labor Laws and Social Insurance

Pursuant to the PRC Labor Law and the PRC Labor Contract Law, employers must execute written labor contracts with full-time employees in order to establish an employment relationship. All employers must compensate their employees equal to at least the local minimum wage standards. All employers are required to establish a system for labor safety and sanitation, strictly abide by state rules and standards and provide employees with appropriate workplace safety training. Violations of the PRC Labor Contract Law and the PRC Labor Law may result fines or other administrative sanctions or, in the case of serious violations, criminal liability.

In addition, employers in China are obliged to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds.

Regulations on Overseas Listing

In 2006, six PRC regulatory agencies jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules which was amended in 2009. This rule requires that, if an overseas company established or controlled by PRC domestic companies or citizens intends to acquire equity interests or assets of any other PRC domestic company affiliated with the PRC domestic companies or citizens, such acquisition must be submitted to the Ministry of Commerce, rather than local regulators, for approval. In addition, this regulation requires that an overseas special purpose vehicle, or SPV, formed for overseas listing purposes and controlled by PRC companies or individuals, to obtain the approval of CSRC prior to publicly listing their securities on an overseas stock exchange.

While the application of the new regulations remains unclear, based on their understanding of current PRC laws, regulations and new procedures announced on September 21, 2006, we believe that:

- the CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like ours are subject to this regulation;
- we established our PRC subsidiary by means of direct investment other than by merger or acquisition of the equity or assets of PRC domestic companies; and
- no provision in this regulation clearly classified contractual arrangements as a type of transaction subject to its regulation.

See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Failure 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 have a material adverse effect on our business, financial condition and results of operations as well as the trading price of the ADSs."

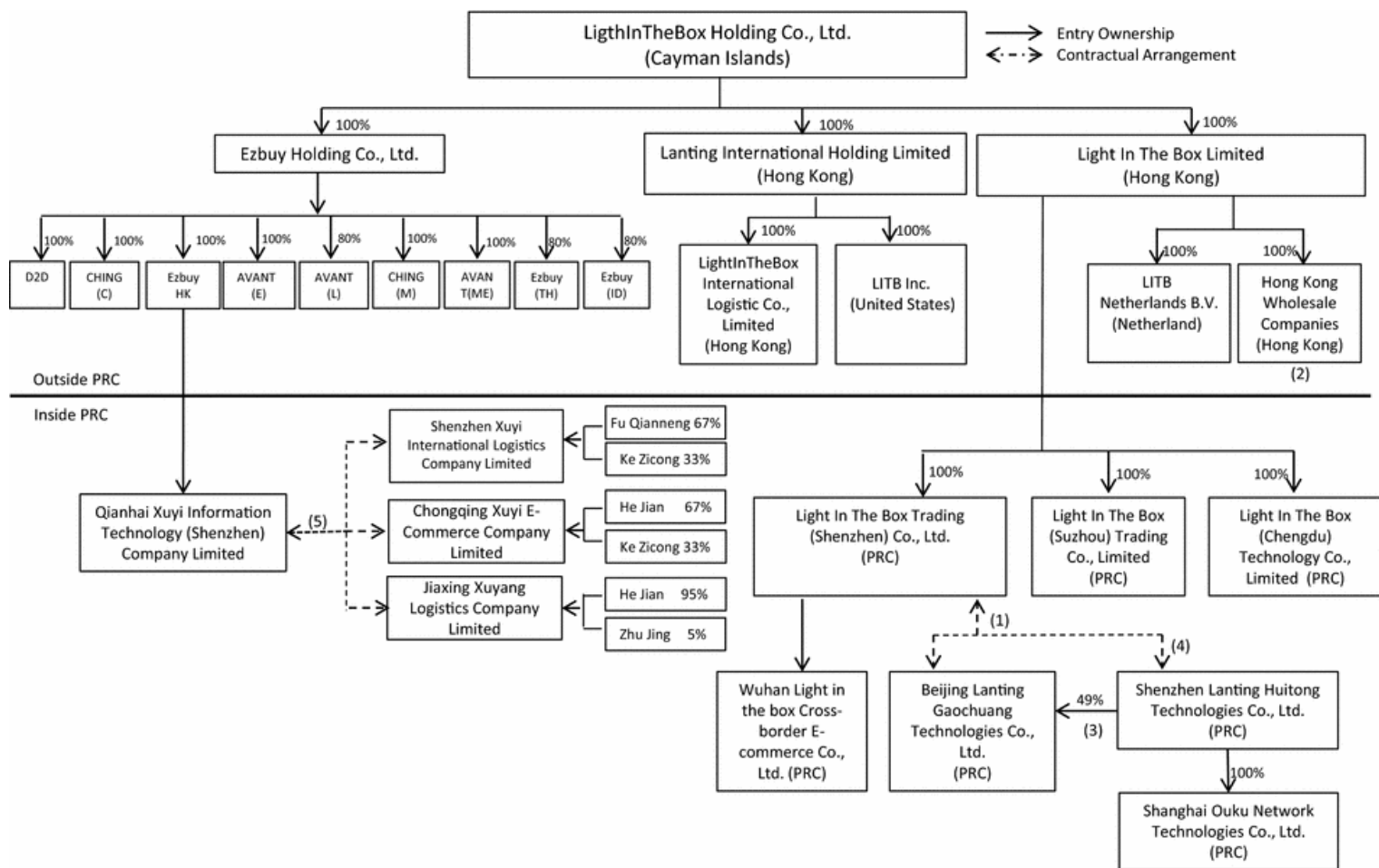
Regulations on Concentration in Merger and Acquisition Transactions

The M&A Rules also establish procedures and requirements that could make some merger and acquisitions of Chinese companies by foreign investors more time-consuming and complex. These rules require, among other things, that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor will take control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings issued by the State Council on August 3, 2008 and amended on September 18, 2018 are triggered.

According to the Implementing Rules Concerning Security Review on the Mergers and Acquisitions by Foreign Investors of Domestic Enterprises issued by the Ministry of Commerce in August 2011, mergers and acquisitions by foreign investors involved in an industry related to national security are subject to strict review by the Ministry of Commerce. These rules also prohibit any transactions attempting to bypass such security review, including controlling entities through contractual arrangements.

C. Organizational Structure

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



- (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) Include four subsidiaries each of which is a limited liability company incorporated in Hong Kong that are primarily engaged or expected to be engaged in the wholesale distribution of products. These five subsidiaries are Light Square, Light Linnet, Light Xiao and Fashion Easy-go. Light In The Box Limited is the beneficial owner of each of these companies. The entire share capital of each of these subsidiaries are registered in the name of our employees who hold such shares on trust for the benefit of Light In The Box Limited pursuant to the respective declaration of trust executed on various dates in June and July of 2016. As of the date of this annual report, the business operations of each of Light Linnet, Light Xiao and Fashion Easy-go remain inactive.
- (3) Mr. Jian He holds the other 51% of the equity interest in Lanting Gaochuang.
- (4) The shareholders of Lanting Huitong are Mr. Jian He, our director and the chief executive officer, Mr. Qianneng Fu, the assistant to our chief executive officer, and Ms. Yunyi Li, the assistant to the chairman of the board. In April 2014, one of our co-founders, Mr. Jun Liu entered into an equity transfer agreement to transfer his shares of Lanting Huitong to another three of our co-founders, Mr. Quji (Alan) Guo, Mr. Xin (Kevin) Wen and Mr. Liang Zhang. We completed the registration of this transfer with the local branch of the SAIC. In 2019, Mr. Quji (Alan) Guo, Mr. Xin (Kevin) Wen and Mr. Liang Zhang have entered into three equity transfer agreements to transfer their shares of Lanting Huitong, respectively, to Mr. Qianneng Fu and Ms. Yunyi Li. On June 27, 2019, we completed the registration of this transfer with the local branch of the SAIC.
- (5) Such arrangements include exclusive technical and consulting service agreements, exclusive option agreements, share pledge agreements, powers of attorney and spousal consent letters.
- (6) D2D refers to D2D Express PTE. LTD., an entity incorporated in Singapore. CHING (C) refers to Ching International Service PTE. LTD., an entity incorporated in Singapore. EZBUY HK refers to Ezbuy Holdings Limited, an entity incorporated in Hong Kong. AVANT(E) refers to Avant E-commerce Service PTE. LTD., an entity incorporated in Singapore. AVANT (L) refers to Avant Logistic Service PTE. LTD., an entity incorporated in Singapore. CHING (M) refers to Ching International Service (Malaysia) SDN. BHD., an entity incorporated in Malaysia. AVANT (ME) refers to Avant Ecommerce Malaysia SDN. BHD., an entity incorporated in Malaysia. EZBUY(TH) refers to Ezbuy (Thailand) Co., Ltd., an entity incorporated in Thailand. EZBUY (ID) refers to PT Ezbuy Holdings Indonesia, an entity incorporated in Indonesia.

Contractual Arrangements Among Lanting Jishi, Qianhai Xuyi, 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 and the distribution of online information through strict business licensing requirements and other government regulations. Under prior laws, foreign investors outside of the China (Shanghai) Pilot Free Trade Zone (subject to certain conditions) are not allowed to own more than 50% of the equity interests in a value-added telecommunications service provider, and any such foreign investor must have experience in providing value-added telecommunications services overseas and maintain a good track record. In March 2015, the National Development and Reform Commission and the Ministry of Commerce issued the updated Catalogue, which further relaxed market access restrictions. In June 2015, the Ministry of Industry and Information Technology promulgated On Relaxation of Limitation of Foreign Investment Percentage in Online Data Processing and Transaction Processing Industries (E-commerce Operations). Among these changes, foreign investors will now be allowed to own up to 100% of the equity interests in an e-commerce business. However, such foreign investor must have experience in providing value-added telecommunications services overseas and maintain a good track record. 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 PRC websites in China primarily through Lanting Huitong, which we control through a series of contractual arrangements, and its subsidiary, Shanghai Ouku. In April 2014, one of our co-founders, Mr. Jun Liu entered into an equity transfer agreement to transfer his shares of Lanting Huitong to Mr. Quji (Alan) Guo, Mr. Xin (Kevin) Wen and Mr. Liang Zhang. We completed the registration of this transfer with the local branch of the SAIC. Upon the registration, Mr. Quji (Alan) Guo, Mr. Xin (Kevin) Wen and Mr. Liang Zhang held 42.14%, 28.93% and 28.93% of the equity interests of Lanting Huitong, respectively. On June 25, 2019, Mr. Quji (Alan) Guo, Mr. Xin (Kevin) Wen and Mr. Liang Zhang entered into three equity transfer agreements to transfer their shares of Lanting Huitong to Mr. Jian He, Mr. Qianneng Fu and Ms. Yunyi Li, respectively. On June 27, 2019, we completed the registration of this transfer with the local branch of the SAIC. The registered shareholders of Lanting Huitong currently are Mr. Jian He, Mr. Qianneng Fu and Ms. Yunyi Li, holding 42.14%, 28.93% and 28.93%, respectively.

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, from the incorporation of Lanting Gaochuang to July 2019. In July 2019, Mr. Quji (Alan) Guo entered into an equity transfer agreement to transferred his shares in Lanting Gaochuang to Mr. Jian He. Currently, Mr. Jian He and Lanting Huitong directly 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. On November 22, 2019, the registered address of Lanting Gaochuang changed to Room F3-325, Tower A, Win Center, Building 6, Yard 33, Baizwan Road Chaoyang District, Beijing, China. As Lanting Gaochuang is a High and New Technology Enterprise, Lanting Gaochuang enjoys preferential tax rate of 15% under the EIT Law. See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Tax—PRC Enterprise Income Tax" for more information regarding tax benefits provided to "software enterprises."

We acquired Ezbuy in 2018 which conducts the operation of its business in China primarily through Chongqing Xuyi, Jiaxing Xuyang and Shenzhen Xuyi (collectively, the "Ezbuy VIEs"), all of which are controlled by a series of contractual arrangements. The registered shareholders of Chongqing Xuyi are Mr. Jian He and Mr. Zicong Ke, holding 67% and 33% of the equity interests of Chongqing Xuyi, respectively. The registered shareholders of Jiaxing Xuyang are Mr. Jian He and Ms. Jing Zhu, holding 95% and 5% of the equity interests of Jiaxing Xuyang, respectively. And the registered shareholders of Shenzhen Xuyi are Mr. Jian He and Mr. Zicong Ke, holding 67% and 33% of the equity interests of Shenzhen Xuyi, respectively. In April 2020, Mr. Jian He entered into an equity transfer agreements to transfer his shares in Shenzhen Xuyi to Mr. Qianneng Fu. On April 9, 2020, we completed the registration of the transfer with the local branch of the SAIC. The registered shareholders of Shenzhen Xuyi are Mr. Qianneng Fu and Mr. Zicong Ke, holding 67% and 33% respectively.

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 did not derive consolidated revenues from Lanting Huitong and Shanghai Ouku from 2016 to 2019. We have not derived any consolidated revenues from Lanting Gaochuang, Jiaying Xuyang and Chongqing Xuyi since their inception, and we do not expect to derive any significant contributions to our consolidated 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-subsidary 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, Qianhai Xuyi, our VIEs, and the shareholders of our VIEs:

Agreements that provide Lanting Jishi and Qianhai Xuyi effective control over the VIEs

(a) Lanting Jishi

Powers of attorney: Each registered shareholder of Lanting Huitong and Lanting Gaochuang (collectively, “**Lanting VIEs**”) has executed a power of attorney appointing Lanting Jishi or its designee to be his or her attorney, and irrevocably authorizing them to vote on his or her behalf on all of the matters concerning Lanting VIEs that may require shareholders’ approval, including nominating and electing directors, general managers and other executive officers. The powers of attorney will be irrevocably effective as long as the registered shareholders remain as shareholders of Lanting VIEs.

Equity disposal agreements: Under the Equity Disposal Agreements entered into among Lanting Jishi, Lanting VIEs, and the shareholders of Lanting 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 Lanting 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 Equity Disposal Agreements are valid for two years and can be extended indefinitely at Lanting Jishi’s option. Lanting Jishi has the right to terminate this agreement at any time by giving three days’ written notice to other parties.

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 Huitong and Mr. Quji (Alan) Guo, Lanting Huitong extended a loan in the amount of \$41 (RMB255, 000) to Mr. Quji (Alan) Guo to be contributed as 51% of the registered capital of Lanting Gaochuang. Under this agreement, Mr. Quji (Alan) Guo agreed that without prior written consent from Lanting Huitong, Lanting Gaochuang might not enter into any transaction that could materially affect its assets, liabilities, interests or operations, and there would be no earnings distribution in any form by Lanting Gaochuang before such loan has been repaid. This loan could only be repaid by transferring all of Mr. Quji (Alan) Guo’s equity interest in Lanting Gaochuang to Lanting Huitong or a third party designated by Lanting Huitong, and submitting all proceeds from such transaction to Lanting Huitong. The loan agreement had a term of ten years and will be extended automatically, unless indicated otherwise by Lanting Huitong in writing three months prior to the contract expiration date. In September 2019, Mr. Quji (Alan) Guo made the repayment under this loan agreement which was therefore terminated. Under the loan agreement entered into in July 2019 between Lanting Huitong and Mr. Jian He, Lanting Huitong extended a loan in the amount of RMB255,000 (\$40,492) to Mr. Jian He for his contribution of 51% of the registered capital of Lanting Gaochuang. Under this agreement, Mr. Jian He agreed that without prior written consent from Lanting Huitong, 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. Jian He also agreed that at the request of Lanting Huitong, all or part of the equity interests held in Lanting Gaochuang shall be promptly and unconditionally transferred to Lanting Huitong or a designated third party in accordance with PRC law. This loan can only be repaid by transferring all of Mr. Jian He’s equity interest in Lanting Gaochuang to Lanting Huitong or a third party designated by Lanting Huitong and submitting all proceeds from such transaction to Lanting Huitong. The loan agreement has a term of ten years and will be extended automatically, unless indicated otherwise by Lanting Huitong 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, Lanting VIEs, and the shareholders of Lanting VIEs, the registered shareholders of Lanting VIEs and Lanting VIEs agreed that Lanting 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 Lanting VIEs must be Lanting Jishi’s nominees. Furthermore, Lanting 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 Lanting VIEs. The business operation agreements will be valid until the liquidation of Lanting 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 Lanting VIEs, Lanting Jishi agreed to provide Lanting 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. Lanting 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 Lanting VIEs, unless terminated earlier at Lanting Jishi's sole discretion.

Share pledge agreements: Under the Share Pledge Agreements entered into among Lanting Jishi, Lanting VIEs, and the shareholders of Lanting VIEs, the registered shareholders of Lanting VIEs pledged all of their respective equity interest in favor of Lanting Jishi to secure Lanting 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 Lanting 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, Guangdong Lianyue Law Firm, has advised us that the pledges on the equity interest of Lanting VIEs were created and effective as such pledges have already been registered with the relevant local branch of the SAIC in accordance with the PRC Property Rights Law.

(b) Qianhai Xuyi

Exclusive technical support and consulting service agreements: Under the Exclusive Technical Support and Consulting Service Agreements entered into between Qianhai Xuyi and Ezbuy VIEs, Qianhai Xuyi agreed to provide Ezbuy VIEs with technology support and consulting services, including the provision of technology platforms required for operations, provision and maintenance of office networks, the conception, configuration, design, updating and maintenance of web pages, employee training, advertisements and other technology services required for the operations. Ezbuy 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 for 10 years unless terminated earlier at Qianhai Xuyi's sole discretion or the liquidation of Ezbuy VIEs.

Powers of attorney: Each registered shareholder of Ezbuy VIEs has executed a power of attorney appointing Qianhai Xuyi or its designee 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 irrevocably effective as long as the registered shareholders remain as shareholders of Ezbuy VIEs.

Exclusive option agreements: Under the Exclusive Option Agreements entered into among Qianhai Xuyi, Ezbuy VIEs, and the shareholders of Ezbuy VIEs, Qianhai Xuyi 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 Ezbuy 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 are valid for two years and can be extended indefinitely at Qianhai Xuyi's option.

Share pledge agreements: Under the Share Pledge Agreements entered into among Qianhai Xuyi, Ezbuy VIEs, and the shareholders of Ezbuy VIEs, the registered shareholders of Ezbuy VIEs pledged all of their respective equity interest in favor of Qianhai Xuyi to secure Ezbuy VIEs and their shareholders' obligations under the various contractual agreements, including the exclusive option agreements and the exclusive technical support and consulting service agreements described above. If Ezbuy VIEs or any of their respective registered shareholders breach any of their respective contractual obligations under these agreements, Qianhai Xuyi, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interest. The registered shareholders of Ezbuy VIEs agreed not to transfer, sell, pledge, dispose of or otherwise create any new encumbrance on their respective equity interest in Ezbuy VIEs, without Lanting Jishi's prior written consent. The share pledge agreements will be valid until Ezbuy VIEs and their shareholders fulfill all contractual obligations under the exclusive option agreements and the exclusive technical support and consulting service agreements. Our PRC counsel, Guangdong Lianyue Law Firm, has advised us that the pledges on the equity interest of Jiaxing Xuyang, Chongqing Xuyi 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 and the pledge on the equity interest of Shenzhen Xuyi was created and in the process of being registered with the relevant local branch of the SAIC in accordance with the PRC Property Rights Law.

Spousal consent letters: Under the spousal consent letters, the spouses of certain shareholders of Ezbuy VIEs acknowledged that a certain percentage of the equity interest in Ezbuy VIEs 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 Qianhai Xuyi, 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.

Arrangements between our Hong Kong subsidiary, Lanting Jishi, Lanting Huitong, Qianhai Xuyi, Shenzhen Xuyi, Chongqing Xuyi and Jiaxing Xuyang

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 Light In The Box Limited paid service fees to Lanting Jishi for certain information and logistics services. And our Hong Kong subsidiary, Ezbuy Holdings Limited, and its PRC subsidiary, Qianhai Xuyi, entered into and performed software development and logistics services agreements, pursuant to which Ezbuy Holdings Limited paid service fees to Qianhai Xuyi for certain software development and logistics services. Light In The Box Limited and our VIE, Lanting Huitong, entered into and performed a consulting service agreement and several software development service agreements, pursuant to which Light In The Box Limited paid service fees to Lanting Huitong for the consulting and software development services. In addition, Ezbuy Holdings Limited and the Ezbuy VIEs, Shenzhen Xuyi, Chongqing Xuyi and Jiaxing Xuyang, entered into and performed several logistics services agreements, pursuant to which Ezbuy Holdings Limited paid service fees to the VIEs for logistics services.

D. Property, Plant and Equipment

We currently lease all properties for our operations. Our corporate headquarters are located in Shanghai, China. We have established sourcing offices in Beijing, Shenzhen and Guangzhou, Guangdong Province, Shanghai, Suzhou, Jiangsu Province and Yiwu, Zhejiang Province, Chengdu, Sichuan Province, Wuhan, Hubei Province. In addition, we have offices in Singapore and Bangkok, Thailand. We maintain warehouses in Dongguan, Guangdong Province, Jiaxing, Zhejiang Province, and Singapore. The following table sets forth a summary of our leased properties as of the date of this annual report:

Location	Size (in square meters)	Usage of Property
Beijing	918	Office space, data center and sourcing office
Shenzhen, Guangdong Province	1,694	Sourcing office and office space
Shanghai	2,513	Sourcing office and office space
Guangzhou, Guangdong Province	339	Sourcing office
Chengdu, Sichuan Province	531	Office space, data center
Suzhou, Jiangsu Province	142	Sourcing office and office space
Yiwu, Zhejiang Province	114	Sourcing office and office space
Wuhan	235	Customer service center
Dongguan, Guangdong Province	26,660	Warehouse
Jiaxing, Zhejiang Province	15,300	Warehouse
Singapore	10,850	Office, warehouse
Bangkok	192	Sales and marketing office

We believe that our existing facilities are adequate for our current business operations and we will be able to enter into lease arrangements on commercially reasonable terms for future expansion.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our audited consolidated financial statements and the related notes included elsewhere in this annual report. 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 “Item 3. Key Information—D. Risk Factors” and elsewhere in this annual report.

A. Operating Results Overview

We are a cross-border e-commerce platform that delivers products directly to consumers around the world. We offer customers a convenient way to shop for a wide selection of products at attractive prices through [www.lightinthebox.com](#), [www.miniinthebox.com](#), [www.ezbuy.com](#) and our other websites as well as mobile applications, which are available in 23 major languages and over 140 countries and regions. By offering a wide variety of products at affordable prices, we hope to create a better lifestyle for people living in these countries and regions.

We target products that can offer our customers better choices and savings, such as fast fashion and home garden products. We also offer a wide range of other products in our other general merchandise product category, as well as high quality, made-to-measure dresses and wedding gowns.

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

To supplement our growth, in December 2018, we acquired Ezbuy Holding Co., Ltd., or Ezbuy, a Singapore-based cross-border e-commerce company which serves more than three million customers in Singapore, Malaysia, Indonesia, Thailand and Pakistan. With the acquisition of Ezbuy, we have expanded our market reach to South and Southeast Asia.

Our total revenues were \$319.9 million, \$227.5 million and \$243.6 million in 2017, 2018 and 2019, respectively. We experienced net loss of \$9.5 million and \$59.6 million in 2017 and 2018, respectively and recorded net income of \$1.1 million in 2019. Cash used in operating activities were \$14.8 million and \$29.9 million in 2017 and 2018, respectively and we generated \$1.9 million cash from operating activities in 2019.

Since the acquisition of Ezbuy in December 2018, we have gained synergies through the following combinations and consolidations:

- Supplier resources and product selections available to customers, which not only widen customers' shopping options, but also generate more sales revenue and effectively reducing suppliers' production costs;
- Warehouse resources in mainland China, which significantly improve fulfillment efficiency and reduce operating costs; and
- Leverage of marketing experiences to acquire more customers and increase customer repeated purchase rate.

For the year ended December 31, 2019, we reported net income of \$1.1 million and also gained positive operating cash of \$1.9 million. We will continue to leverage our strengths and to shift the focus to generating more sales on categories with higher gross margin and better turnover rate.

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, including the breakout of the pandemic that has an adverse impact on global economy;
- 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.

Revenues

Since 2016, we have reported our operating results in two operating segments:

- *Product sales.* Our product sales segment is comprised of sales of our products through our websites and mobile applications and other supplemental online revenues from our product sales and other consumer products are recorded less value added tax, discounts and allowances; and
- *Services and others.* Our services and others segment are comprised of provision of logistics to small businesses in China and individual customers globally. In 2019, we also derived service revenues from selling systems and from providing technical services.

This presentation reflects (i) how we manage our business to maximize efficiency in allocating resources and (ii) the expansion of our service business as the revenue contribution from such business began to account for a larger portion of our total revenues in 2016. We present the segment information after elimination of inter-company transactions. In general, revenues, and cost of revenues are directly attributable, and are allocated, to each segment.

In 2017, 2018 and 2019, we generated total revenues of \$319.9 million, \$227.5 million and \$243.6 million, respectively. The following table sets forth information of our total revenues by segment and product category in absolute amounts and as percentages of total revenues for the periods presented.

	Year Ended December 31,					
	2017		2018		2019	
	(U.S. dollars in thousands, except percentage)					
	Revenues	% of Total	Revenues	% of Total	Revenues	% of Total
Product sales						
Apparel	\$ 99,160	31.0	\$ 72,871	32.0	78,954	32.4
Other general merchandise ⁽¹⁾	194,791	60.9	143,536	63.1	157,751	64.8
Total product sales	293,951	91.9	216,407	95.1	236,705	97.2
Services and others	25,930	8.1	11,132	4.9	6,921	2.8
Total revenues	319,881	100.0	227,539	100.0	243,626	100.0

(1) Includes products such as small accessories and gadgets, home garden, electronics and communication devices and others.

We deliver products to customers in over 140 countries and territories. The following table breaks down our total revenues by geographic regions as determined by shipping addresses or the addresses of our business customers that we provide services to in absolute amounts and as percentages of total revenues for the years presented.

	Year Ended December 31,					
	2017		2018		2019	
	(U.S. dollars in thousands, except percentage)					
	Revenues	% of Total	Revenues	% of Total	Revenues	% of Total
Europe	\$ 153,697	48.1	\$ 109,781	48.2	87,568	36.0
North America	73,339	22.9	51,206	22.5	37,932	15.6
Other countries	92,845	29.0	66,552	29.3	118,108	48.4
Total revenues	319,881	100.0	227,539	100.0	243,626	100.0

Product sales

We have primarily focused on selling apparel, and electronics and communications devices. We expect to continue to focus on the growth in sales of these products and expect that they will continue to contribute considerably to our total revenues in the near future. However, we have also expanded offerings of other products, and in particular, have increased our focus on home garden, sports and hobbies, as well as accessories and gadgets. We expect our revenues to become more diversified in the future as we grow our business and increase our number of products.

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. In addition, we recorded lower sales during Chinese New Year period when many manufacturers are on vacation.

We have made our websites easily accessible by users on their mobile devices. We have also launched our mobile apps to enhance the mobile shopping experience of our users. As the number of customers making purchases through our mobile apps continues to increase, our mobile revenue increased to 59.2% of revenues from product sales in 2019, compared with 44.6% and in 2017 and 47.9% in 2018, respectively.

We expect our revenues from product sales 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 product 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 of product sales, identify trends affecting our business, formulate financial projections and make certain strategic decisions: (i) our number of customers, (ii) revenues from product sales attributed to repeat customers, (iii) revenues from product sales attributed to new customers and (iv) the change in revenues from product sales attributed to repeat customers. The following table sets forth the above metrics for our product sales segment for the years indicated.

	Year Ended December 31,		
	2017	2018	2019
	(in thousands, unless otherwise stated)		
Our number of customers	4,895	2,942	3,340
Revenues from product sales attributed to repeat customers	\$ 127,014	\$ 90,138	\$ 143,878
Revenues from product sales attributed to new customers	\$ 166,937	\$ 126,269	\$ 92,827
Change in revenues from product sales attributed to repeat customers ⁽¹⁾ (percentage)	27.2	(29.0)	59.6

(1) “Change in revenues from product sales attributed to repeat customers” refers to, in percentage, the difference between (i) revenues from product sales attributed to repeat customers for a given period and (ii) revenues from product sales attributed to repeat customers for the prior period, divided by revenues from product sales attributed to repeat customers from such prior period.

Our revenues from product sales attributed to repeat customers increased from \$90.1 million in 2018 to \$143.9 million in 2019, primarily because of our continuous efforts to enhance our user experience and the synergy from combination with Ezbuy. We expect revenues from product sales attributed to repeat customers to increase in the future as we continue to leverage Ezbuy’s experience in retaining customers and improve our supply chain and logistic services to enhance customers’ experience.

Services and others

We also record revenues from technical service and the provision of logistics to small businesses in China and individual customers globally. Such logistics services include product collection, packaging and labeling, shipment and delivery of products from our warehouses to locations designated by these customers. We also derive service revenues from selling systems and from providing technical services to our customers.

Cost of Revenues and Operating Expenses

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

	2017		Year Ended December 31, 2018		2019	
		% of Total Revenues		% of Total Revenues		% of Total Revenues
Cost of revenues						
Cost of product sales	\$ 189,816	59.3	\$ 156,326	68.7	144,061	59.1
Cost of services	24,445	7.6	10,017	4.4	1,968	0.8
Total cost of revenues	214,261	66.9	166,343	73.1	146,029	59.9
Operating expenses:						
Fulfillment	17,291	5.4	15,127	6.6	24,900	10.2
Selling and marketing	68,891	21.5	50,508	22.2	51,111	21.0
General and administrative	29,605	9.3	33,042	14.5	37,811	15.5
Other operating income	—	—	—	—	(173)	(0.1)
Total operating expenses	115,787	36.2	98,677	43.3	113,649	46.6

Cost of revenues

Our cost of revenues is comprised of cost of product sales and cost of services.

Our cost of product sales 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 net realizable 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 product sales. Shipping charges to receive products from our suppliers are included as inventory and recognized as cost of product sales upon the sale of such products. Our cost of product sales as percentage of our total revenues during a specific period is affected by the composition of the type of products sold during that period.

Our cost of services consists primarily of shipping charges and to a lesser extent, packaging supplies in connection with the provision of such services to small businesses customers. Shipping charges primarily include shipping fees we pay to third-party international couriers and are recognized as cost of services when delivery services are completed. Cost of services also include the time costs incurred by our engineers during providing technical services.

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. As we expanded our warehouse network to accommodate increase in purchase orders and provide better coverage of our target markets, our fulfillment expenses increased in absolute amount when compared with last year. We expect that as our business continues to grow and as we achieve economies of scale, our fulfillment cost as a percentage of our total revenues will decrease in the future.

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 fluctuation of selling and marketing expenses as a percentage of our total 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 total revenues 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 total revenues to decrease in the future as we achieve economies of scale.

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,					
	2017		2018		2019	
		% of Total Revenues		% of Total Revenues		% of Total Revenues
Fulfillment	\$ 214	0.1	\$ 47	0.0	238	0.1
Selling and marketing	456	0.1	99	0.1	408	0.2
General and administrative	1,195	0.4	259	0.1	1,414	0.6
Total share-based compensation expenses	1,865	0.6	405	0.2	2,060	0.9

We expect to continue to grant share options, restricted shares and other share-based awards under our share incentive plans and incur further share-based compensation expenses in future periods. For information regarding share options and restricted shares granted to our officers and directors, see “—Share Incentive Plans.”

Taxation

Cayman Islands

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

Hong Kong

Our wholly owned subsidiaries in Hong Kong are subject to the uniform profit tax rate of 16.5% in Hong Kong. It is exempted from income tax on its foreign-derived income and there are no withholding taxes in Hong Kong on remittance of dividends. A two-tiered profits tax rates regime was introduced since year 2018 where the first HK\$2,000 of assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) whilst the remaining profits will continue to be taxed at 16.5%.

There is an anti-fragmentation measure where each group will have to nominate only one company in the group to benefit from the progressive rates. We did not make any provisions for Hong Kong profit tax as there were no assessable profits derived from or earned in Hong Kong for any of the years presented.

PRC

The Company's subsidiaries and VIEs in the PRC are subject to the statutory rate of 25%, in accordance with the Enterprise Income Tax law (the "EIT Law"), which was effective since January 1, 2008 except for the following entities eligible for preferential tax rates.

Lanting Gaochuang was qualified as a software enterprise in 2012 and therefore was entitled to a two-year income tax exemption starting from 2013, its first profit making year, following by a reduced tax rate of 12.5% for the subsequent three years ended December 31, 2017. On December 22, 2016, Lanting Gaochuang obtained the High and New Technology Enterprise ("HNTE") certificate with a validity term of three years. Lanting Gaochuang reapplied and obtained the HNTE certificate on December 2, 2019 and was eligible to an enterprise income tax rate of 15% from December 31, 2019 through December 31, 2021, provided that it meets the actual requirements.

Lanting Huitong was qualified as a technology-advanced service enterprise for the years ended December 31, 2016 and 2017, and therefore was entitled to the preferential income tax rate of 15% for those years. For the year ended December 31, 2018, Lanting Huitong was subject to 25% statutory income tax rate in accordance with the Enterprise Income Tax Law ("EIT Law"). In 2019, Lanting Huitong was qualified as a small and micro-sized enterprise ("SME"), and therefore was eligible for both the 50% reduction of taxable income and the reduced EIT rate of 20% for the year ended December 31, 2019.

Keji Chengdu was qualified as a software enterprise which allows it to utilize a two-year 100% exemption for 2018 and 2019 followed by a three-year half-reduced EIT rate effective for years from 2020 to 2022.

Suzhou Trading was qualified as SME, and therefore was eligible for both the 50% reduction of taxable income and the reduced EIT rate of 20% for the year ended December 31, 2019.

Shenzhen Xuyi and Qianhai Xuyi Hunan Branch were qualified as SMEs in 2018, and Shenzhen Xuyi and Chongqing Xuyi qualified as SMEs in 2019, and therefore were eligible for both the 50% reduction of taxable income and the reduced EIT rate of 20% for the respective years.

Other entities of the Group domiciled in the PRC were subject to 25% statutory income tax rate in accordance with the EIT Law in the periods presented.

Under the New EIT Law and its implementation rules, dividends from our PRC subsidiaries 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. Pursuant to the Double Taxation Avoidance Arrangement, dividends that Light in The Box Limited receives from Lanting Jishi and Ezbuy Holdings Limited receives from Qianhai Xuyi may be subject to withholding tax at a rate of 5%, provided that the conditions and requirements under the Double Taxation Avoidance Arrangement have been satisfied, and subject to the assessment and approval of our relevant local tax authority.

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 a 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 "Item 3. Key Information—D. 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."

Singapore

Ching International Service PTE. LTD., D2D Express PTE. LTD, Avant E-Commerce Service PTE. LTD. and Avant Logistic Service PTE. LTD are located in Singapore and subject to 17% statutory income tax rate with respect to the profit generated from Singapore.

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 annual report.

Business combinations

We account for business combinations using the purchase method of accounting in accordance with ASC Topic 805, Business Combinations. The purchase method of accounting requires that the consideration transferred to be allocated to the assets, including separately identifiable assets and liabilities we acquired, based on their estimated fair values. The consideration transferred in an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity and debt instruments issued as well as the contingent considerations as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total of cost of acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in earnings.

We issued convertible promissory notes (the "Note") for business acquisition and designated the convertible promissory notes as financial liabilities at fair value through profit or loss. We adopted Monte-Carlo Simulation based on a scenario-weighted average method to estimate the fair value of the convertible promissory notes at acquisition date and December 31, 2018. The estimate is based on the probability of each scenario and pay-off of the convertible promissory notes under each scenario. The scenarios include different timing and corresponding conversion price of the convertible promissory notes. The key assumptions adopted in the convertible promissory notes valuation include risk-free rate of interest and expected stock price volatility in the conversion period.

Revenue Recognition

We recognize revenue (i) from product sales of apparel and other general merchandise through our websites and other online platforms, and (ii) from logistic services to small businesses in China and also globally to individual customers.

Periods prior to January 1, 2018

Product sales

We make product sales through our websites, mobile applications 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 customer 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, WorldPay and Global Collect, when they place purchase orders on our websites and mobile applications. 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 revenues. 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 would range from seven days to 14 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 total net revenues in that period. We estimated that approximately 4.7% and 3.0% of our total net revenues in 2016 and 2017, respectively, would be returned and made provisions accordingly.

We periodically provide incentive offers to our customers to encourage purchases. Current discount offers, when accepted by our customers, are treated as a reduction to the purchase price of the related transaction and are included as a net amount in revenue. We also provide discount rewards, which may only be used in the future, to customers who have made a current purchase. As the right of receiving future discount does not represent a significant and incremental discount to the customer, the discount is treated as a reduction of revenue when the future transaction takes place.

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 product 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 product 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.

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.

Services

We derive services revenue mainly from provision of logistic services to small businesses in China and also globally to individual customers. Service revenue is recognized when persuasive evidence of an arrangement exists, service has been performed, the fee is fixed or determinable and collectability is reasonably assured. Revenue for logistic services are recognized when the packages are delivered to the recipients.

Period commencing January 1, 2018

We adopted Accounting Standards Update (or ASU) 2014-09 - Revenue from Contracts with Customers on January 1, 2018. We applied ASU 2014-09 using the modified retrospective method for contracts which were not completed at the date of initial adoption. Results for reporting periods beginning after January 1, 2018 are presented under the new revenue recognition, while prior period amounts are not adjusted and continue to be reported in accordance with ASC 605, Revenue Recognition.

Since the adoption of Accounting Standards Update (or ASU) 2014-09 - Revenue from Contracts with Customers, starting from January 1, 2018, we recognize revenues upon the satisfaction of our performance obligation (upon transfer of control of promised goods or services to customers) in an amount that reflects the consideration to which We expect to be entitled to in exchange for those goods or services, excluding amounts collected on behalf of third parties (for example, value added taxes). For each performance obligation satisfied over time, we recognize revenue over time by measuring the progress toward complete satisfaction of that performance obligation. If we do not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The adoption of new revenue standard did not impact retained earnings as of January 1, 2018.

Product sales

We identified one performance obligation which is to sell products to customers through its websites and other online platforms. Revenue of product sales is recognized on a gross basis and presented as product sales on the consolidated statements of operations, because (i) We are primarily responsible for fulfilling the promise to provide the specified products; (ii) We bear the physical and general inventory risk once the products are delivered to its warehouses; (iii) We have discretion in establishing price.

Product sales, net of discounts, return allowance and VAT, are recognized at the point in time when customers accept the products upon delivery. Revenues are measured as the amount of consideration we expect to receive in exchange for transferring products to consumers. Return allowance, which reduce revenue, are estimated utilizing the expected value method based on historical experience of returns. Included in our product sales, prime membership revenues are amortized over the membership period with straight-line method. Prime is a subscription based membership programme. Items purchased from Prime shop enjoy flat international shipping per checkout.

We utilize delivery service providers to deliver products to our consumers (“shipping activities”) but the delivery service is not considered as a separate obligation as the shipping activities are performed before the consumers obtain control of the products. Therefore, shipping activities are not considered a separate promised service to the consumers but rather are activities to fulfill our promise to transfer the products. Outbound shipping charges to customers are included as a part of the revenues and outbound shipping-related costs are recorded as cost of product sales.

Services and others

We derive services revenue mainly from provision of logistic services to small businesses in China and also globally to individual customers, and from provision of systems and technical services. Revenues from logistic services are recognized over the delivery period since the customers simultaneously receive and consume benefits provided by our performance as we perform during the delivery period. Revenues from provision of systems and technical services are recognized upon completion of services and provision of systems.

Inventories

Inventories represent products available for sale and are accounted for using the first-in-first-out method and specific identification method, and are valued at the lower of cost or net realizable value. Adjustments are recorded to write down the cost of inventory to the net realizable value due to slow-moving merchandise and broken assortments, which is dependent upon factors such as historical trends with similar merchandise, inventory aging, and historical and forecasted consumer demand. Write downs are recorded in cost of revenues in the consolidated statements of operations.

Share-based Compensation

Share-based payment transactions with employees, such as share options are measured based on the grant date fair value of the equity instrument. We have elected to recognize compensation expense using the straight-line method for all employee equity awards granted with graded vesting provided that the amount of compensation cost recognized at any date is at least equal to the portion of the grant-date value of the options that are vested at that date, over the requisite service period of the award, which is generally the vesting period of the award. The estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change and will also impact the amount of share-based compensation expense to be recognized in future periods.

Changes in the terms or conditions of share options are accounted as a modification under which we calculate whether there is any excess of the fair value of the modified option over the fair value of the original option immediately before its terms are modified, measured based on the share price and other pertinent factors at the modification date. For vested options, we recognize incremental compensation cost in the period of the modification occurred and for unvested options, we recognize, over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date.

Income Taxes

Income taxes are provided using the asset and liability method. Under this method, deferred income taxes are recognized for tax credits and net operating losses available for carry forwards and significant temporary differences. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws and regulations applicable to us as enacted by the relevant tax authorities.

The impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes. We did not recognize any income tax due to uncertain tax position or incur any interest and penalties related to potential underpaid income tax expenses for the years ended December 31, 2017, 2018 or 2019, respectively.

Results of Operations

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

	2017		Year Ended December 31, 2018		2019	
		% of Revenues		% of Revenues		% of Revenues
Revenue						
Product sales	\$ 293,951	91.9	\$ 216,407	95.1	236,705	97.2
Services and others	25,930	8.1	11,132	4.9	6,921	2.8
Total revenue	319,881	100.0	227,539	100.0	243,626	100.0
Cost of revenues						
Product sales	189,816	59.3	156,326	68.7	144,061	59.1
Services and others	24,445	7.6	10,017	4.4	1,968	0.8
Total cost of revenues	214,261	66.9	166,343	73.1	146,029	59.9
Gross profit	105,620	33.1	61,196	26.9	97,597	40.1
Operating expenses:						
Fulfillment	17,291	5.4	15,127	6.6	24,900	10.2
Selling and marketing	68,891	21.5	50,508	22.2	51,111	21.0
General and administrative	29,605	9.3	33,042	14.5	37,811	15.5
Other operating income	—	—	—	—	(173)	(0.1)
Total operating expenses	115,787	36.2	98,677	43.3	113,649	46.6
Loss from operations	(10,167)	(3.1)	(37,481)	(16.5)	(16,052)	(6.6)
Exchange loss on offshore bank accounts	(89)	(0.0)	—	—	—	—
Interest income	581	0.2	487	0.2	297	0.1
Interest expense	—	—	(5)	(0.0)	(66)	(0.0)
Change in fair value of convertible notes	—	—	(22,791)	(10.0)	14,591	6.0
Other net income	—	—	—	—	283	0.1
(Loss)/income before income taxes and gain from equity method investment	(9,675)	(2.9)	(59,790)	(26.3)	(947)	(0.4)
Gain from equity method investment	208	0.0	221	0.1	2,118	0.9
Income tax expense	(81)	(0.0)	(33)	(0.0)	(113)	(0.0)
Net (loss)/income	(9,548)	(2.9)	(59,602)	(26.2)	1,058	0.4

Comparison of the Years Ended December 31, 2017, 2018 and 2019

Revenues

Our total revenues in 2017, 2018 and 2019 were \$319.9 million, \$227.5 million and \$243.6 million, respectively, reflecting a decrease of 28.9% from 2017 to 2018 and an increase of 7.1% from 2018 to 2019.

Product sales

The increase in our revenues from product sales from \$216.4 million in 2018 to \$236.7 million in 2019 was primarily because we continue to leverage the synergies arising from the acquisition of Ezbay and improve our supply chain and logistic services to enhance customers experience. More specifically, the increase was a result of increases in (i) our sales orders and number of customers, especially with the acquisition of Ezbay, (ii) number of repeated purchase, and (iii) Optimization on our product mix, with more sales on high value products. Our total number of sales orders in 2018 and 2019 were approximately 4.9 million and 5.6 million, respectively, reflecting an increase of 14.3% from 2018 to 2019. Our number of customers in 2018 and 2019 were approximately 2.9 million and 3.3 million, respectively. Revenues from product sales attributable to our repeat customers as a percentage of our revenues from product sales, increased from 41.7% in 2018 to 60.8% in 2019. Our unit price per sales order during the same periods decreased from approximately \$44.2 in 2018 to \$42.3 in 2019, reflecting a decrease of 4.3% from 2018 to 2019 due to increase of sales orders from Asia, which have lower unit price per order.

The decrease in our revenues from product sales from \$294.0 million in 2017 to \$216.4 million in 2018 was primarily because we strategically terminated or suspended certain loss-making revenue streams which we deem to have no growth potential and reduced sales in certain loss-making countries and regions since the third quarter of 2018. Our total number of sales orders in 2017 and 2018 were approximately 6.7 million and 4.9 million, respectively, reflecting a decrease of 26.9% from 2017 to 2018. Our number of customers in 2017 and 2018 were approximately 4.9 million and 2.9 million, respectively, decreasing by approximately 40.8% between the periods. Revenues from product sales attributable to our repeat customers as a percentage of our revenues from product sales, decreased from 43.2% in 2017 to 41.7% in 2018. Our unit price per sales order during the same periods increased from approximately \$43.9 in 2017 to \$44.2 in 2018, reflecting an increase of 0.7% from 2017 to 2018 due to changes in our product mix.

We have optimized our product listings to offer a more focused variety and choices to our customers, which has allowed us to capture additional customer demand. As of December 31, 2017, 2018 and 2019, we had more than 580,000, 468,000 and 2,553,000 product listings, respectively.

We have also increased our customer base by increasing our penetration of various geographic markets. We initially focused on the North American market but have since expanded our marketing efforts to increase the sale of our products to customers in Europe as well as South and Southeast Asia through the acquisition of Ezbuy. In each of 2017, 2018 and 2019, Europe represented the largest region in which our products were sold.

Services and others

The decrease in our revenues from services and others from \$25.9 million in 2017 to \$11.1 million in 2018 and further to 6.9 million in 2019 was primarily because we reduced logistics to small businesses in China since the third quarter of 2018. In 2019, we also derived service revenues from selling systems and from providing technical services to our customers.

Cost of revenues

Our cost of revenues in 2017, 2018 and 2019 were \$214.3 million, \$166.3 million and \$146.0 million, respectively, representing a decrease of 22.4% from 2017 to 2018 and a further decrease of 12.2% from 2018 to 2019.

Cost of product sales

The decrease in our cost of product sales from \$189.8 million in 2017 to \$156.3 million in 2018 was primarily due to the decrease in sales of our products. The decrease in our cost of product sales from \$156.3 million in 2018 to \$144.1 million in 2019 was primarily due to our products optimization and continuous efforts to enhance our efficiency in supply chain management. Our product costs and other associated charges in 2017, 2018 and 2019 were \$129.7 million, \$104.6 million and \$107.4 million, respectively, representing a decrease of 19.4% from 2017 to 2018 and an increase of 2.6% from 2018 to 2019. Our shipping charges related to the sale of our products in 2017, 2018 and 2019 were \$60.1 million, \$51.7 million and \$36.7 million, respectively, representing a decrease of 14.0% from 2017 to 2018 and a further decrease of 29.0% from 2018 to 2019.

Cost of services

The decrease in our cost of services from \$24.4 million in 2017 to \$10.0 million in 2018 and further to \$2.0 million in 2019 was primarily because of (i) the decrease in costs as a result of the decrease in our revenues from services and (ii) our optimization in logistic channels and use of packaging supplies.

Gross profit

As a result of the foregoing, our gross profits in 2017, 2018 and 2019 were \$105.6 million, \$61.2 million and \$97.6 million, respectively, reflecting a decrease of 42.1% from 2017 to 2018 and an increase of 59.5% from 2018 to 2019. Our gross margins in 2017, 2018 and 2019 were 33.1%, 26.9% and 40.1%, respectively.

Product sales

The gross profits of our product sales segment in 2017, 2018 and 2019 were \$104.1 million, \$60.1 million and \$92.6 million, respectively, reflecting a decrease of 42.3% from 2017 to 2018 and an increase of 54.1% from 2018 to 2019. The gross margins of our product sales segment in 2017, 2018 and 2019 were 35.4%, 27.8% and 39.1%, respectively.

Services and others

The gross profits of our services and others segment in 2017, 2018 and 2019 were \$1.5 million, \$1.1 million and \$5.0 million, respectively, reflecting a decrease of 26.7% from 2017 to 2018 and a significant increase from 2018 to 2019. The gross margins of our services segment in 2017, 2018 and 2019 were 5.8%, 10.0% and 71.6%, respectively.

Fulfillment Expenses

Our fulfillment expenses in 2017, 2018 and 2019 were \$17.3 million, \$15.1 million and \$24.9 million, respectively. Fulfillment expenses as a percentage of our total revenues in 2017, 2018 and 2019 were 5.4%, 6.6% and 10.2%, respectively.

The increase in our fulfillment expenses as a percentage of our total revenues from 2017 to 2018 was due to the decrease in our revenues in 2018. The increase in our fulfillment expenses as a percentage of our total revenues from 2018 to 2019 was due to incurrence of integration expenses during the warehouse combination.

Selling and Marketing Expenses

Our selling and marketing expenses in 2017, 2018 and 2019 were \$68.9 million, \$50.5 million and \$51.1 million, respectively.

Selling and marketing expenses as a percentage of our total revenues were relatively stable and were 21.5%, 22.2% and 21.0% in 2017, 2018 and 2019, respectively. The increase in our selling and marketing expenses as a percentage of our total revenues from 2017 to 2018 was primarily due to our strengthened marketing efforts to promote our online marketing platforms and to diversify traffic acquisition channels in 2017 and due to the intense competition in 2018. We intend to focus on enhancing our supply chain management to offer more competitive product offerings and improve overall customer experience.

General and Administrative Expenses

Our general and administrative expenses in 2017, 2018 and 2019 were \$29.6 million, \$33.0 million and \$37.8 million respectively, reflecting an increase of 11.5% from 2017 to 2018 and a increase of 14.4% from 2018 to 2019.

General and administrative expenses as a percentage of our total revenues in 2017, 2018 and 2019 were 9.3%, 14.5% and 15.5%, respectively. The increase in general and administrative expenses as a percentage of total revenues from 2017 to 2018 was primarily due to the decrease in our revenues in 2018. General and administrative expenses as a percentage of total revenues remained relatively stable from 2018 to 2019. Share-based compensation expenses included in general and administrative expenses in 2017, 2018 and 2019 were \$1.2 million, \$0.3 million and \$1.4 million, respectively.

Loss from Operations

As a result of the foregoing, our losses from operations in 2017, 2018 and 2019 were \$10.2 million, \$37.5 million and \$16.1 million, respectively.

Interest Income

Our interest income was \$0.6 million, \$0.5 million and \$0.3 million in 2017, 2018 and 2019, respectively.

Income Tax Expense

Our income tax expense in 2017, 2018 and 2019 were approximately \$81,000, \$33,000 and \$113,000, respectively, primarily attributable to profits generated by one of our PRC subsidiaries over the past three years and overseas subsidiaries in Singapore for the year ended December 31, 2019.

Change in fair value of convertible notes

In 2019, we recorded a non-cash gain of US\$14.6 million in change in fair value of convertible notes issued in connection with the Ezbuy acquisition. We adopted Monte-Carlo Simulation based on a scenario-weighted average method to estimate the fair value of the convertible notes. The estimate is based on the probability of each scenario and pay-off of the convertible promissory notes under each scenario. The scenarios include different timing and corresponding conversion price of the convertible promissory notes. The key assumptions adopted in the convertible promissory notes valuation include risk-free rate of interest and expected stock price volatility in the conversion period.

Net Income/(Loss)

As a result of the foregoing, our net losses in 2017 and 2018 were \$9.5 million and \$59.6 million, respectively, and our net income in 2019 was \$1.1 million.

B. Liquidity and Capital Resources

Cash Flows and Working Capital

To date, we have financed our operations primarily through the proceeds from the issuance of our preferred shares and the net proceeds of our initial public offering and subsequent private placements. We have incurred net loss and negative cash flows from operating activities for the years from 2017 to 2019. As of December 31, 2019, we had approximately \$40.4 million in cash and cash equivalents and restricted cash.

In December 2018, we completed the acquisition Ezbuy by acquiring (i) 100% of the total issued share capital of Ezbuy, and (ii) shares of Ezbuy issuable under convertible promissory notes held by certain of Ezbuy's shareholders. See "Item 4. Information on the Company—History and Development of the Company—Our Acquisition of Ezbuy." The Ezbuy acquisition increased our cash and cash equivalents by \$3.7 million based on Ezbuy's cash and cash equivalents balances.

We believe that our current cash and cash equivalents will be sufficient to meet the expenses and other expenditures required for our business operations for the 12 months from December 31, 2019. In the event that our operating expenses or other expenditures exceed our working capital, we may seek to issue debt or equity securities or obtain credit facilities. Any issuance of equity securities could cause dilution for our shareholders. Any incurrence of indebtedness could increase our debt service obligations and subject us to restrictive operating and financial covenants. Additionally, financing may not be available to us in amounts or on terms acceptable to us, or at all.

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

	Year Ended December 31,		
	2017	2018	2019
	(U.S. dollars in thousands)		
Net cash generated from/(used in) operating activities	\$ (14,831)	(29,868)	1,882
Net cash (used in) / provided by investing activities	(3,506)	3,296	(681)
Net cash provided by / (used in) financing activities	(3,064)	(3,365)	(551)
Net increase / (decrease) in cash and cash equivalents and restricted cash	(21,401)	(29,937)	650
Effect of exchange rate changes on cash and cash equivalents and restricted cash	340	(275)	(7)
Cash and cash equivalents and restricted cash at beginning of the year	91,075	70,014	39,802
Cash and cash equivalents and restricted cash at end of the year	70,014	39,802	40,445

Operating Activities

We generated positive net cash flow of \$1.9 million from operating activities in 2019, primarily attributable to our net income of \$1.1 million, adjusted by the reconciliation of certain non-cash items of \$(12.8) million, which mainly included share-based compensation of \$2.1 million, depreciation and amortization of \$2.5 million, inventory reversal of \$0.5 million when sold, unrealized foreign exchange gain of \$0.1 million, bad debt reversal of \$0.2 million, change in fair value of convertible promissory notes of \$(14.6) million and gain from equity method investment of \$2.0 million. Cash provided by operating activities was also attributable to a decrease of \$4.2 million in accounts receivable, inventories, long-term rental deposits, prepaid expenses and other current assets in connection with cash prepayment for procurement, offset by an increase of \$9.2 million in accounts payable, amounts due to related parties, advance from customers and accrued expenses and other current liabilities as a result of cash payments for procurement, and an increase of \$12.0 million in right-of-use assets, offset by an increase of \$12.2 in operating lease liabilities.

Net cash used in operating activities was \$29.9 million in 2018, primarily attributable to our net loss of \$59.6 million, adjusted by the reconciliation of certain non-cash items of \$27.2 million, which mainly included share-based compensation of \$0.4 million, depreciation and amortization of \$0.9 million, inventory write-down of \$2.5 million, unrealized foreign exchange loss of \$0.3 million, bad debt expense of \$0.5 million, change in fair value of convertible promissory notes of \$22.8 million and gain from equity method investment of \$0.2 million. Cash used in operating activities was also attributable to a decrease of \$22.8 million in accounts receivable, inventories, prepaid expenses and other current assets in connection with cash prepayment for procurement, offset by a decrease of \$15.2 million in accounts payable, amounts due to related parties, advance from customers and accrued expenses and other current liabilities as a result of cash payments for procurement.

Net cash used in operating activities was \$14.8 million in 2017, primarily attributable to our net loss of \$9.5 million, adjusted by the reconciliation of non-cash items of \$5.0 million, which mainly included share-based compensation of \$1.9 million, depreciation and amortization of \$0.8 million and inventory provision of \$2.1 million. Cash used in operating activities was also attributed to an increase of \$10.3 million in prepaid expenses and other current assets, accounts receivable and inventories in connection with cash prepayments for procurement which were the result of increased business activities that led to increased overhead and orders placed with our suppliers.

Investing Activities

Net cash used in investing activities was \$0.7 million in 2019, primarily due to purchase of property and equipment of \$0.9 million and proceeds from disposal of property and equipment of \$0.2 million.

Net cash provided by investing activities was \$3.3 million in 2018, primarily due to cash acquired from the acquisition of Ezbuy.

Net cash used in investing activities was \$3.5 million in 2017, primarily due to our investment in Shenzhen Megacombine Technology Co.

Financing Activities

Net cash used in financing activities was \$0.6 million in 2019, which was primarily due to the repurchase of our ADSs of \$0.3 million, and the payment of long-term payable of 0.3 million.

Net cash used in financing activities was \$3.4 million in 2018, which was primarily due to the repurchase of our ADSs of \$3.4 million.

Net cash used in financing activities was \$ 3.1 million in 2017, which was primarily due to the repurchase of our ADSs of \$3.1 million.

Capital Expenditures

Our capital expenditures amounted to \$0.6 million, \$0.4 million and \$1.0 million in 2017, 2018 and 2019, respectively. Our capital expenditures have historically been comprised of leasehold improvements, purchase of equipment for our warehouses and our information technology infrastructure. Our capital expenditures in 2020 are expected to be approximately \$0.8 million, which will be primarily used to upgrade our sorting system. Our capital expenditures may increase in the future as we continue to invest in our fulfillment and technology infrastructure.

Holding Company Structure

We are a holding company with no material operations of our own. We conduct our operations primarily through Light In The Box Limited and Ezbuy Holdings Limited, our Hong Kong subsidiaries, Lanting Jishi and Qianhai Xuyi, our wholly owned subsidiaries in China, and Ezbuy Holding Co., Ltd, our wholly owned subsidiary in the Cayman Islands. Under Hong Kong and Cayman laws, there are no withholding taxes on remittance of dividends. Under PRC law, each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserves until the accumulated amount of such reserves reaches 50% of its respective registered capital. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation. Lanting Jishi and Qianhai Xuyi are permitted to pay dividends to us only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations.

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

We have not, and do not have any present plan, for our PRC subsidiaries, Lanting Jishi and Qianhai Xuyi, to distribute any dividends. We do not believe our current structure will limit our holding company's ability to timely meet our cash obligations in the near future, as we currently generate and expect to continue to generate the majority of our revenues and receive the majority of our cash from customers outside of China through Light In The Box Limited and Ezbuy Holdings Limited, our Hong Kong subsidiaries. However, if, in the future, we require our PRC subsidiaries to distribute dividends to us, restrictions on the distribution of dividends may have an adverse effect on our ability to meet our cash obligations in a timely manner. Please see "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—We may rely on dividends and other cash distributions on equity paid by our subsidiaries to fund and financing requirements we may have, and any limitation on the ability of our subsidiaries payments to us could have a material adverse effect on our ability to conduct our businesses."

Inflation

Inflation in China has not in the past materially impacted our results of operations. However, China has recently experienced a significant increase in inflation levels, which may materially impact our results of operations in the future. According to the National Bureau of Statistics of China, the change of consumer price index in China was 1.6% in 2017, 2.1% in 2018 and 2.3% in 2019.

Following the acquisition of Ezbuy, our results of operations have been affected and may continue to be affected by inflation in the other markets Ezbuy serves.

Recent Accounting Pronouncements

A list of recent accounting pronouncements that are relevant to us is included in note 2 to our consolidated financial statements, which are included in this annual report.

C. Research and Development, Patents and Licenses, etc. Research and Development

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

Intellectual Property

We rely on a combination of trademark, trade secret, patent and other intellectual property laws as well as confidentiality agreements with our employees, manufacturers and others to protect our intellectual property. We have registered domain names for all of our websites, including [www.lightinthebox.com](#) and [www.miniinthebox.com](#), and trademarks and service marks in China, Hong Kong and the European Union, including for [www.lightinthebox.com](#), [www.miniinthebox.com](#) and [www.ezbuy.com](#).

We also have 19 registered computer software copyrights in China and one registered computer software copyright in the United States. In addition, we have filed additional trademark applications in China, Hong Kong, Taiwan, Singapore, South Korea, Austria, the European Union and the United States, as well as patent applications in United States.

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

D. Trend Information

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

E. Off-Balance Sheet Arrangements

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

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2019.

	Total	Less than 1 year	Payment due by period		
			1-3 years	3-5 years	More than 5 years
Operating Lease Obligations	14,367	3,516	3,935	2,591	4,325
Finance Leases	1,268	361	686	221	—
Total	15,635	3,877	4,621	2,812	4,325

G. Safe Harbor

See "Forward-Looking Statements."

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**A. Directors and Senior Management**

The following table sets forth certain information relating to our directors and executive officers. The business address of each of our directors and executive officers is LightInTheBox Holding Co., Ltd., Floor 5, Building 2, Yaxin Science & Tech Park, No.399 Shengxia Road, Pudong New Area, Shanghai 201203, People's Republic of China.

Name (1)	Age	Position/Title
Zhi Yan	47	Chairman of the board
Jian He	39	Director and chief executive officer
Zhiping Qi	47	Vice chairman of the board
Quji (Alan) Guo	44	Director
Zhentao Wang	54	Director
Gang Yu	60	Director
Xiongping Yu	44	Director
Meng Lian	40	Director
Hanhua Wang	56	Independent director
Peng Wu	37	Independent director
Lei Deng	41	Independent director
Bin Shi	41	Chief technology officer
Wenyu Liu	35	Acting chief financial officer

Biographical Information

Zhi Yan has been our director since March 2016. Mr. Yan is the founder, chief executive officer and co-chairman of the board of directors of Zall Group (HKSE Code: 2098). Mr. Yan has approximately 12 years of experience in the commercial property and wholesale shopping mall industries, as well as approximately 20 years of experience in business management in various industries. Mr. Yan has been appointed as a non-executive director and the chairman of CIG Yangtze Ports PLC (HKSE Code: 8233) since 2011. Mr. Yan received a master's degree in business administration for senior executives from Wuhan University in February 2008 and an executive master of business administration degree at Cheung Kong Graduate School of Management in 2013.

Jian He has served as our chief executive officer since November 2018. Prior to joining our company, Mr. He was the Founder and Chief Executive Officer of Ezbuy, a Singapore-based leading cross-border e-commerce platform founded in 2010, which we acquired in December 2018. Prior to founding Ezbuy, Mr. He worked in the semiconductor industry for nine years including at GlobalFoundries and SMIC. As a core team member of the 0.18, 0.13-micron and 65nm technology nodes yield and product teams at GlobalFoundries and SMIC, Mr. He managed the rapid increase in the pace of technological change, innovation, and business applications. Mr. He holds a master's degree from Fudan University in electrical engineering and a bachelor's degree in electrical engineering from Zhejiang University.

Zhiping Qi has served as our director since June 2018 and served as our chief executive officer from June 2018 to November 2018. Mr. Qi is one of the founding team members of Shenzhen Sinoagri E-Commerce Co, Ltd., an online agricultural procurement and distribution service provider, and served as its Co-President and Vice Chairman from 2010 to 2017. Mr. Qi was responsible for its overall strategic planning, investments, and management. Mr. Qi has been Executive Director and Co-Chief Executive Officer of Zall since July 2018. Mr. Qi has extensive experience in operating and managing supply chains, investing in the development of e-commerce platforms, strategic planning and the management and deployment of resources globally. Mr. Qi obtained his bachelor's degree in corporate management from Shenzhen University and has completed an EMBA program at the China Europe International Business School.

Quji (Alan) Guo is our co-founder who joined our company in 2008. He has served as a director since 2008 and served as our chief executive officer from 2008 to 2018. Prior to joining our company, Mr. Guo served as the chief strategist and the special assistant to the president of Google China from 2005 to 2008, where he was instrumental for building Google's China operation and led many of its strategic product and business initiatives, including the launch of Google Music, the first advertiser-sponsored free music download service in China, as well as certain strategic investments. Prior to joining Google China, he was a product manager with Google in the United States. In 2004, he worked for the corporate business development team at Amazon participating in the acquisition of Joyo.com, the predecessor of Amazon's China operation. From 2001 to 2003, he was a software design engineer at the headquarters of Microsoft Corporation, participating in the development of MSN, IE and Windows. Mr. Guo received his bachelor's degree from the University of Science and Technology of China in 1999, his master's degree in electrical engineering from the University of Illinois at Urbana-Champaign in 2001, and his MBA degree from Stanford University in 2005. Mr. Guo is a holder of a number of patents in software and Internet technologies in the United States.

Zhentao Wang has been our director since July 2015. Mr. Wang is the founder and chairman of the board of directors of AoKang. He founded Yongjia County Aolin Shoe Factory, the predecessor of AoKang, in 1988. Mr. Wang received his EMBA degree from Cheung Kong Graduate School of Business in 2006 and also an EMBA degree from the HEC School of Management in France in 2007. Mr. Wang has received numerous accolades and awards in China, including the National Labor Day Award in 2002, China's Industry Leader of Private Industrial Enterprises in 2003, and the Outstanding Person of China's Economic Development in 2006.

Gang Yu has been our director since March 2016. Dr. Yu is an executive director and co-chairman of the board of directors of Zall Group (HKSE Code: 2098). Dr. Yu has been the co-founder and executive chairman of 111 Inc. (Nasdaq: YI) since 2015. Dr. Yu co-founded and served as chairman of YHD.com, a leading e-commerce company in China. Dr. Yu currently serves as an independent director on the board of Baozun, Inc. (Nasdaq: BZUN). Prior to founding YHD.com, Dr. Yu served as the vice president of Worldwide Procurement at Dell Inc. from 2006 to 2007 and the vice president of Worldwide Supply Chain at Amazon.com from 2004 to 2006. Before Amazon, Dr. Yu was the chair professor at McCombs School of Business at The University of Texas at Austin from 1989 to 2004. Dr. Yu obtained his bachelor degree in science from Wuhan University in 1982 and his master degree in science from Cornell University in 1985. Dr. Yu received his Ph.D. from the Wharton School of Business, University of Pennsylvania in 1990.

Xiongping Yu has been our director since June 2016. Mr. Yu is a director of Aokang and was previously the chief financial officer of Aokang Group Co., Ltd. Mr. Yu received a bachelor's degree from Dongbei University of Finance & Economics in 2005.

Meng Lian has served as our director since November 2018. Mr. Lian is a partner of IDG Capital, where he focuses on internet, Mobile Internet, as well as a combination of new technology and traditional consumer products and services. Prior to joining IDG Capital, Mr. Lian worked at New Oriental Education & Technology Group (NYSE: EDU). He holds an MBA from Hong Kong University of Science and Technology and a bachelor's degree in Law from Ji'nan University.

Hanhua Wang has served as our independent director since July 2019. In April 2020, Dr. Wang was appointed as the as the chairperson of the audit committee. Dr. Wang was the President of Amazon.cn and VP of Amazon.com. In addition, Dr. Wang has over 20 years of working experience in various industries of e-commerce, telecommunication, smart home and IoT. Dr. Wang has Bachelor degree in Psychology and Master degree in Education Psychology from East China Normal University in China, and PH.D. degree in Education Psychology University of Nebraska-Lincoln in the United States.

Peng Wu has been our independent director since January 2019. Dr. Wu has been a professor and an associate dean of Business School, Sichuan University since 2017. Dr. Wu's main research area is supply chain management, and he has worked on numerous consulting projects for companies in China and the UK. Dr. Wu obtained his bachelor's degree in management from Tsinghua University in 2004 and his Ph.D. degree in management from Tsinghua University in 2010. Before joining Sichuan University, Dr. Wu worked at South China University of Technology and Cambridge University.

Lei Deng has served as our independent director since April 2020. Dr. Deng is a senior partner since 2004 at China Commercial Law Firm, a leading and full-service law firm in China. In addition, Dr. Deng has over 13 years of corporate governance experience in listed companies. Dr. Deng serves as an independent director in various listed companies including Shenzhen Huaqiang Industrial Co., Ltd., and China Fangda Group Co., Ltd. Dr. Deng is also a consultant for Shenzhen Stock Exchange, providing advisory and legal services to governments and enterprises on corporate governance and capital market regulations. Dr. Deng obtained his Bachelor and Master's degree in law from Huazhong University of Science and Technology, and his Doctor's degree in law from Zhongnan University of Economics and Law.

Bin Shi has been our chief technology officer since December 2015. Prior to that, Mr. Shi has served as our senior vice president of technology since March 2009. Before joining our Company, he worked for myspace.com as the chief architect from March 2007 to March 2009 and Yahoo China as Messenger technical director of from April 2004 to March 2007. Mr. Shi had also held various technology management position at Shareware Freelancer and STAR Computer. Mr. Shi received his bachelor's degrees in both chemistry and computer science from Tsinghua University in 2000.

Wenyu Liu has been our acting chief financial officer since March 2019. Ms. Liu has years of experience in cross-border ecommerce and financial management. She joined the Company in December 2018, and was responsible for the operations of LightInTheBox's in North America and of Ezbuy Singapore. From 2010 to 2018, Ms. Liu, one of the founders of Ezbuy, served as CEO of Ezbuy Singapore. Ms. Liu obtained her bachelor's degree from Nanyang Technological University in 2009 and her master's degree from the National University of Singapore in 2011.

B. Compensation

In 2019, we paid an aggregate cash compensation and benefits in kind of approximately \$4.8 million to our directors and executive officers as a group. We set aside approximately \$0.6 million for pensions, retirement or other benefits for our officers and directors in 2019. For information regarding options and restricted shares granted to officers and directors, see "— Share Incentive Plans."

Employment Agreements

We have entered into employment agreements with each of our executive officers. We may terminate their employment for cause. In the event of termination for cause, we have no further obligations or liabilities to such executive officer other than to pay any accrued but unpaid compensation through the date of termination and we are not required to provide any prior notice of such termination. For purposes of these agreements, the term cause means: (a) the executive officer commits willful misconduct or gross negligence in performance of his duties hereunder, or Malfeasance, and fails to correct such Malfeasance within a reasonable period specified by us after we have sent the executive officer a written notice demanding correction within such a period; (b) the executive officer has committed Malfeasance and has caused serious losses and damages to us; (c) the executive officer seriously violates our internal rules and fails to correct such violation within a reasonable period specified by us after we have sent the executive officer a written notice demanding correction within such a period; (d) the executive officer has seriously violated the internal rules of and has caused serious losses and damages to us; (e) the executive officer is convicted by a court or has pleaded guilty of theft, fraud or other criminal offense; or (f) the executive officer seriously breaches his/her duty of loyalty to us or our affiliate under the laws of the Cayman Islands, the PRC or other relevant jurisdictions. We may terminate their employment at any time, without cause, upon 30-day prior written notice to the executive officer. Executive officers may terminate their employment with us at any time, without cause, upon three months written notice to us. If any severance pay is mandated by law, executive officers will be entitled to such severance pay in the amount mandated by law when his or her employment is terminated. However, an executive officer will not be entitled to any severance pay if his/her employment is terminated by him/her for any reason. In addition, notwithstanding any provision to the contrary in our employment agreements, we may still be required to make severance payments upon termination without cause to comply with the PRC Labor Law, the labor contract law and other relevant PRC regulations, which entitle employees to severance payments in case of early termination of "de facto employment relationships" by PRC entities without statutory cause regardless of whether there exists a written employment agreement with such entities.

Share Incentive Plans

We adopted our Amended and Reinstated 2008 Share Incentive Plan, or the 2008 Plan, on October 27, 2008. The 2008 Plan was intended to promote our success and to increase shareholder value by providing an additional means to attract, motivate, retain and reward selected directors, officers, employees and other eligible persons. An aggregate of 4,444,444 ordinary shares were reserved for issuance under the 2008 Plan. On June 9, 2014, the 2008 Plan was amended to increase the maximum aggregate number of ordinary shares reserved for issuance under the 2008 Plan to 11,344,444. As of the expiry of the 2008 plan on October 26, 2018, we had granted, after forfeitures, 6,518,662 restricted shares and options to purchase 1,891,300 ordinary shares, with 2,934,482 ordinary shares available for future grants. As of April 1, 2020, we had 200,000 unvested restricted shares and 163,500 unvested share options outstanding under the 2008 Plan. As of April 1, 2020, options to purchase 363,500 ordinary shares of our company were outstanding under the 2008 plan.

We adopted our 2019 Share Incentive Plan, or the 2019 Plan, on January 20, 2019. The 2008 plan and 2019 plan are collectively referred to as the Plans. The 2019 Plan is intended to promote our success and to increase shareholder value by providing an additional means to attract, motivate, retain and reward selected directors, officers, employees and other eligible persons. An aggregate of 2,867,382 ordinary shares were reserved for issuance under the 2019 Plan. As of April 1, 2020, we had 295,800 unvested restricted shares and no unvested share options outstanding under the 2019 Plan. As of the same date, options to purchase 295,800 ordinary shares of our company were outstanding under the 2019 plan.

The following table summarizes the share options granted to our employees under the Plans that were outstanding as of April 1, 2020:

Name	Number of Ordinary Shares Underlying Outstanding Options	Exercise Price (\$/Share)	Grant Date	Expiration Date
Our Employees	3,600	4.25	July 31, 2011	
	1,800	4.75	May 22, 2013	
	101,700	2.50	June 20, 2014	
	48,400	2.25	June 2, 2015	
	10,000	0	March 31, 2017	The earlier of (1) the tenth
	40,000	0	October 31, 2017	anniversary of the date of
	8,000	0.89	October 31, 2017	grant, or (2) the fifth
	150,000	0	October 10, 2018	anniversary of the
	20,000	0	November 28, 2018	completion date of our
	80,000	0	February 18, 2019	initial public offering.
40,000	0	May 15, 2019		
80,000	0	August 19, 2019		

We have historically determined the exercise price of shares granted under the Plans based on a number of factors, such as the type of awards, the length of time in which such employees were with our company, the function of such employees and the price of our preferred share issuances. Certain employees who joined our company near its inception were issued options with lower exercise prices than other employees. In addition, employees who we consider to be our key personnel may also be issued options with a lower exercise price.

In addition, as of April 1, 2020, a total of 2,787,000 restricted shares were granted to certain of our executive officers and other employees under the Plans. For the avoidance of doubt, restricted shares under the Plan are the same as non-vested shares disclosed in Note 10 to the Consolidated Financial Statements for the Years Ended December 31, 2017, 2018 and 2019 as filed as part of this annual report.

The following paragraphs summarize the principal terms of the Plans.

Types of Awards and Exercise Prices. The Plans permit the grant of several kinds of awards, including among others, options, restricted shares, restricted share units, share appreciation rights and dividend equivalent rights.

Plan Administration. The administrator of the Plans is the chairman of our board or, in the case of administration with respect to directors and officers, a committee consisting of at least two non-employee directors designated by the board, and, with respect to consultants and other employees, a committee consisting of one or more directors of the company designated by the board. The administrator designates the eligible optionees and determines the award type, award period, grant date, performance requirements and such other provisions and terms not inconsistent with the plan in the award agreement.

Award Agreement. Options and other awards granted under the Plans are and will be evidenced by an award agreement that sets forth the terms, provisions, limitations and performance requirements for each grant.

Eligibility. At the discretion of the board of directors, we may grant awards to employees, officers, directors or consultants of our company.

Term of Awards. The term of each award shall be the term stated in the award agreement, provided that the term of an incentive share option shall be no more than ten years from the date of grant, subject to certain exceptions.

Acceleration of Awards upon Corporate Transaction. The administrator of the Plans may upon or in anticipation of a corporate transaction, accelerate awards or modify the terms of the awards.

Vesting Schedule. The administrator of the Plans may determine the vesting schedule and may provide additional vesting conditions in the award agreement to each optionee.

Amendment and Termination. Our board of directors may at any time by resolutions amend, suspend or terminate the Plans, subject to certain exceptions. The 2008 Plan terminated on October 26, 2018. Unless earlier terminated by the board or directors, the 2019 Plan will terminate on January 20, 2029.

C. **Board Practices**

We have eleven directors, three of whom are independent directors, on our board of directors. Any director on our board may be removed by way of an ordinary resolution of shareholders. Any vacancies on our board of directors or additions to the existing board of directors can be filled by the affirmative vote of all of the remaining directors. Each of our directors holds office until such director resigns or is removed by way of an ordinary resolution of shareholders. We have no service contracts with any of our directors that provide benefits to them upon termination.

All of our executive officers are appointed by and serve at the discretion of our board of directors. Our executive officers are elected by and may be removed by a majority vote of our board of directors.

Board Committees

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

Audit Committee

Our audit committee consists of Dr. Hanhua Wang, Dr. Peng Wu and Dr. Lei Deng. Dr. Wang is the chairman of our audit committee and satisfies the criteria of an audit committee financial expert as set forth under the applicable rules of the SEC. Each of Dr. Wang, Dr. Wu and Dr. Deng satisfies the requirements for an "independent director" within the meaning of Section 303A of the New York Stock Exchange Listed Company Manual and meets the criteria for independence set forth in Rule 10A-3 of the United States Securities Exchange Act of 1934, as amended, or the Exchange Act.

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

- selecting our independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by our independent registered public accounting firm;
- reviewing any audit problems or difficulties and management’s response with our independent registered public accounting firm;
- reviewing and approving all proposed related-party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and our independent registered public accounting firm;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of significant control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time;
- meeting separately and periodically with management and our internal auditor and independent registered public accounting firm; and reporting regularly to the full board of directors.

Compensation Committee

Our compensation committee consists of Dr. Huanhua Wang and Dr. Gang Yu. Dr. Hanhua Wang satisfy the requirements for an “independent director” within the meaning of Section 303A of the New York Stock Exchange Listed Company Manual.

The compensation committee is responsible for, among other things:

- approving and overseeing the compensation package for our chief executive officer and chief financial officer;
- reviewing and making recommendations to the board with respect to the compensation of our directors;
- reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer and chief financial officer, evaluating the performance of our chief executive officer and chief financial officer in light of those goals and objectives, and setting the compensation level of our chief executive officer and chief financial officer based on such evaluation; and
- reviewing periodically and making recommendations to the board regarding any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans.

Corporate Governance and Nominating Committee

Our corporate governance and nominating committee consists of Dr. Hanhua Wang and Mr. Zhi Yan. Dr. Wang satisfy the requirements for an “independent director” within the meaning of Section 303A of the New York Stock Exchange Listed Company Manual.

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

- identifying and recommending to the board nominees for election or re-election to the board, or for appointment to fill any vacancy;
- conducting annual reviews of the Board’s independence, qualifications and experiences in light of the availability of potential Board members; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our internal rules and procedures.

Duties of Directors

Under Cayman Islands law, our directors have a fiduciary duty to act honestly, in good faith and with a view to our best interests. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time. We have the right to seek damages if a duty owed by our directors is breached.

The functions and powers of our board of directors include, among others:

- convening shareholders' annual general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and approving the transfer of shares of our company, including registering such shares in our share register.

Corporate Governance

Our board of directors has adopted a code of business conduct and ethics, which is applicable to all of our directors, officers and employees. Our code of business conduct and ethics is publicly available on our website.

In addition, our board of directors has adopted a set of corporate governance guidelines. The guidelines reflect certain guiding principles with respect to our board's structure, procedures and committees. The guidelines are not intended to change or interpret any law, or our amended and restated memorandum and articles of association.

Remuneration and Borrowing

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

Qualification

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

Terms of Directors and Executive Officers

Our officers are elected by and serve at the discretion of our board of directors. Our directors are not subject to a term of office and hold office until such time as they are removed from office by special resolution or the unanimous written resolution of all shareholders. A director will be removed from office automatically if, among other things, the director (1) dies or becomes bankrupt or makes any arrangement or composition with his creditors; or (2) is found a lunatic or becomes of unsound mind. We do not have service contracts with any of our directors that would provide our directors with benefits upon their termination.

D. Employees**Employees**

As of December 31, 2017, 2018 and 2019, we had 619, 1,181 and 953 full-time employees, respectively. Our employees are based in China, Singapore, Thailand, Malaysia, Taiwan and the United States. We have employees from several countries and regions, namely the United States, Argentina, Italy, United Kingdom, Russia, China, Taiwan and Hong Kong. The following table sets forth the number of our employees by function as of December 31, 2019:

	Number of Employees
Fulfillment	130
Selling and Marketing	457
Technology, Research and Development	224
General and Administrative	142
Total	953

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

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

As required by PRC regulations, we participate in various employee social security plans that are organized by municipal and provincial governments, including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing fund. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government. The total amounts of contributions we made to employee benefit plans in 2017, 2018 and 2019 were \$5.3 million, \$5.4 million and \$6.8 million, respectively.

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

E. Share Ownership

For information regarding the share ownership of our directors and officers, see “Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders.” For information as to stock options granted to our directors, executive officers and other employees, see “Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plans.”

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth information with respect to beneficial ownership of our ordinary shares as of April 2, 2020 by:

- each of our directors and executive officers; and
- each person known to us to beneficially own 5% and more of our ordinary shares.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days of this annual report, including through the exercise of any option, warrant or other right, the vesting of restricted shares or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

The calculations in the table below is based on 223,551,153 ordinary shares outstanding as of April 2, 2020, being the total ordinary shares issued and outstanding based on our register of members maintained by our Cayman Islands share registrar, excluding (1) ordinary shares represented by the ADSs repurchased by the Company; (2) ordinary shares issued to the depositary that are issuable upon the exercise of share options outstanding and vesting of restricted shares issued to employees, or reserved for future award grants under our Plans; and (3) ordinary shares underlying restricted shares issued to the grantees under the Plan that are in the process of being cancelled.

Name	Number	Percent
Directors and Executive Officers:		
Zhi Yan ⁽¹⁾	55,194,222	24.7%
Jian He ⁽²⁾	23,278,556	10.4%
Zhiping Qi	—	—%
Quji (Alan) Guo ⁽³⁾	7,456,641	3.3%
Zhentao Wang ⁽⁴⁾	24,553,810	11.0%
Gang Yu	—	—%
Xiongping Yu	—	—%
Meng Lian	—	—%
Hanhua Wang	—	—%
Peng Wu	—	—%
Lei Deng	—	—%
Bin Shi	*	*
Wenyu Liu	4,589,848	2.1%
All directors and executive officers as a group	114,770,899	51.4%
Principal Shareholders **: 		
Zall Entities ⁽⁵⁾	55,194,222	24.7%
AOGANG International (Hong Kong) Corporation Limited ⁽⁶⁾	24,553,810	11.0%
Conner Growth Holding Limited ⁽²⁾	23,278,556	10.4%
Fraser Holdings Group Limited ⁽⁷⁾	17,740,008	7.9%
IDG Entities ⁽⁸⁾	14,568,780	6.5%

Notes:

* Less than 1% of our total outstanding shares.

- (1) Represents 42,500,000 ordinary shares held by Zall E-Commerce, 6,347,111 ADSs representing 12,694,222 ordinary shares held by Zall Development (HK) Holding Company Limited, or Zall Development HK. For a description of the beneficial ownership of our ordinary shares by Zall E-Commerce and Zall Development HK, see Note 5 below. Mr. Yan disclaims beneficial ownership of our ordinary shares held by Zall E-Commerce and Zall Development HK, except to the extent of their pecuniary interest in these shares.
- (2) Represents (1) 22,976,378 ordinary shares and (2) 151,089 ADSs representing 302,178 ordinary shares held by Conner Growth Holding Limited. Conner Growth Holding Limited is a British Virgin Islands company wholly owned by Mr. Jian He, a director of the Company. The registered address of Conner Growth Holding Limited is Sertus Chambers, P. O. box 905, Quastisky Building, Road Town, Tortola, British Virgin Islands.
- (3) Represents 6,681,251 ordinary shares and 387,695 ADSs representing 775,390 ordinary shares held by Wincore Holdings Limited. Wincore Holdings Limited, a British Virgin Islands company, is wholly owned by Mr. Quji (Alan) Guo, a director of our company. The registered address of Wincore Holdings Limited is Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands.
- (4) Represents 20,260,082 ordinary shares and 2,146,864 ADSs representing 4,293,728 ordinary shares held by AOGANG International. For a description of the beneficial ownership of our ordinary shares by AOGANG International, see Note 6 below. Mr. Wang disclaims beneficial ownership of our ordinary shares held by AOGANG International, except to the extent of his pecuniary interest in these shares.
- (5) Represents 42,500,000 ordinary shares held by Zall E-Commerce, 6,347,111 ADSs representing 12,694,222 ordinary shares held by Zall Development HK. Zall E-Commerce, a company incorporated in the British Virgin Islands, is directly and wholly owned by Zall Development (BVI) Holding Company Limited, or Zall Development BVI, a company incorporated in the British Virgin Islands, which is a wholly owned subsidiary of Zall Smart Commerce Group Limited. Zall Development HK, a limited liability company incorporated under the laws of Hong Kong, is also directly and wholly owned by Zall Smart Commerce Group Limited. Mr. Zhi Yan is the founder, co-chairman of the board of directors, co-chief executive officer and an executive director of Zall Group and holds his beneficial interest in Zall Smart Commerce Group Limited. Zall E-Commerce, Zall Development BVI, Zall Development HK, Zall Smart Commerce Group Limited and Zall Development Investment are collectively referred to in this annual report as Zall Entities. The address of the principal office of Zall Entities is Suite 2101, 21Floor, Two Exchange Square, Central, Hong Kong.
- (6) Represents 20,260,082 ordinary shares and 2,146,864 ADSs representing 4,293,728 ordinary shares held by AOGANG International. AOGANG International, a limited liability company incorporated under the laws of Hong Kong, is directly and wholly owned by AoKang, a company incorporated under the laws of the Peoples' Republic of China. Mr. Zhentao Wang is the chairman of the board and controlling person of AoKang and the sole director of AOGANG International. Of the total outstanding shares of AoKang: (i) AoKang Investment Holdings Co., Ltd. in which Mr. Zhentao Wang and Mr. Chen Wang (son of Mr. Zhentao Wang) directly holds 90% and 10%, respectively, of its total outstanding shares, directly holds 27.73%, (ii) Mr. Zhentao Wang directly holds 15.10%, and (iii) Mr. Jinquan Wang (brother of Mr. Zhentao Wang and the president and a director of AoKang) directly holds 4.98%. The registered address of AOGANG International is Flat/RM 3803B 38/Flee Garden One 33 Hysan Avenue Causeway Bay Hong Kong. The address of the principal office of AoKang is Aokang Industrial Park, Dongou Industrial District, Oubei Town, Yongjia County, Zhejiang Province, People's Republic of China.
- (7) Represents 17,740,008 ordinary shares held by Fraser Holdings Group Limited, a limited company organized under the laws of the British Virgin Islands. The registered address of Fraser Holdings Group Limited is Trinity Chambers, PO Box 4301, Road Town, Tortola, British Virgin Islands. The shareholders of Fraser Holdings Group Limited are Vision Knight Capital (China) Fund II, L.P., a limited partnership organized under the laws of the Cayman Islands and Vision Knight Capital (China) Entrepreneur Fund II, L.P., also a limited partnership organized under the laws of the Cayman Islands, which hold 95.5% and 4.5% equity of Fraser Holdings Group Limited, respectively. The general partner of both Vision Knight Capital (China) Fund II, L.P and Vision Knight Capital (China) Entrepreneur Fund II, L.P. is Vision Knight Capital (China) GP II, L.P., a limited partnership organized under the laws of the Cayman Islands. The general partner of Vision Knight Capital (China) GP II, L.P. is VKC (China) GP II Ltd., a company organized under the laws of the Cayman Islands. The sole shareholder of VKC (China) GP II Ltd. is VKC Cayman II Ltd.. The sole shareholder and the sole director of VKC Cayman II Ltd. is Zhe Wei. Zhe Wei is also a director of VKC (China) GP II Ltd.

(8) Represents (i) 12,915,226 ordinary shares held by IDG China Venture Capital Fund IV L.P., a limited partnership organized under the laws of the Cayman Islands, and (ii) 1,653,554 ordinary shares held by IDG China IV Investors L.P., a limited partnership organized under the laws of the Cayman Islands. The general partner of IDG China Venture Capital Fund IV L.P. is IDG China Venture Capital Fund IV Associates L.P., a limited partnership organized under the laws of the Cayman Islands. The general partner of IDG China Venture Capital Fund IV Associates L.P. is IDG China Venture Capital Fund GP IV Associates Ltd., a company organized under the laws of the Cayman Islands. The general partner of IDG China IV Investors L.P. is also IDG China Venture Capital Fund GP IV Associates Ltd. IDG China Venture Capital Fund IV L.P., IDG China IV Investors L.P. and IDG China Venture Capital Fund GP IV Associates Ltd. are collectively referred to in this annual report as the IDG Entities. The directors of IDG China Venture Capital Fund GP IV Associates Ltd. are Chi Sing Ho and Quan Zhou. The registered offices of IDG Entities is Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

We have one class of ordinary shares, and each holder of our ordinary shares is entitled to one vote per share. However, in matters related to change of control, pursuant to our amended and restated memorandum and articles of association, Wincore Holdings Limited, Clinet Investments Limited and Vitz Holdings Limited will be entitled to three votes per share for each ordinary share registered in their names in the register of members of the Company, and each other holder is entitled to one vote per share. Such change of control events include: (a) a merger, amalgamation, consolidation or similar transaction involving our company, (b) the filing of a petition for a scheme of arrangement involving our company, or the giving of consent to such a filing or the co-operation by our company in the making of such filing, and (c) a sale, transfer or other disposition of all or substantially all of the assets of our company. As of April 2, 2020, each of Wincore Holdings Limited, Clinet Investment Limited and Vitz Holdings Limited holds 3.3%, nil and 1.1% of the shares of our company, respectively, entitling them to 9.2%, nil and 3.0% voting rights, respectively, and an aggregate of 12.2% of voting rights in such matters related to a change of control, assuming all the ADSs held by such entities were converted into ordinary shares of the Company. As of April 2, 2020, 223,551,153 of our ordinary shares were issued and outstanding, being the total ordinary shares issued and outstanding based on our register of members maintained by our Cayman Islands share registrar, excluding (1) ordinary shares represented by the ADSs repurchased by the Company; (2) ordinary shares issued to the depository that are issuable upon the exercise of share options outstanding and vesting of restricted shares issued to employees, or reserved for future award grants under our 2008 Plan and 2019 Plan; and (3) ordinary shares underlying restricted shares issued to the grantees under the Plans that are in the process of being cancelled. Based on a review of our register of members, we believe that as of April 2, 2020, 109,054,327 ordinary shares, representing approximately 48.8% of our total outstanding shares, were held by two record shareholders in the United States, which includes 109,054,326 ordinary shares held of record by The Bank of New York Mellon, the depository of our ADS program. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States. We are not aware of any arrangement that may at a subsequent date, result in a change of control of our company.

B. Related Party Transactions

2017

Zhejiang Aokang Shoes Co., Ltd. (“Aokang”) became our shareholder in 2015 and held 18.1% of the outstanding shares as of December 31, 2017. In 2017, we purchased goods from Aokang amounted to \$0.4 thousand.

2018

Zall E-commerce and its subsidiary Zall Development (HK) Holding Company Limited (collectively referred to “Zall”) became our shareholders in 2016 and held 41.0% of the outstanding shares as of December 31, 2018. For the year ended December 31, 2018, we entered into the following contracts with the subsidiaries of Zall:

We entered into sales contracts with Hankou North Import and Export Service Co., Ltd. (“Hankou North”) to sell cotton products in 2018, which is one of Zall’s subsidiaries. The total transaction amount in 2018 was \$325 thousand and all was settled as of December 31, 2018.

We entered into a logistics agency contract with Hankou North in 2018 and the total logistic service fee in 2018 was \$4.302 thousand million. As of December 31, 2018, \$1,550 thousand was not settled.

We entered into a logistics agency contract with Zall Foreign Trade Service (Hong Kong) Company Limited (“Zall HK”) in 2018, which is one of Zall’s subsidiaries. The total logistic service fee in 2018 was \$4,186 thousand. As of December 31, 2018, about \$1,007 thousand has not been settled.

We entered into a Contract of Network Marketing Technical Services with Zall HK in 2018. The total advertising fee in 2018 was \$7,441 thousand. As of December 31, 2018, \$2,396 thousand has not been settled.

We leased offices on behalf of Jiashi Financial Information Service (Hangzhou) Co., Ltd. (“Jiashi”) since October 1, 2018, which is one of Zall’s subsidiaries. The total rental fee received from Jiashi was \$26 thousand in 2018.

2019

Zall E-commerce and its subsidiary Zall Development (HK) Holding Company Limited (collectively referred to “Zall”) became our shareholders in 2016 and held 29.5% of the outstanding shares as of December 31, 2019. For the year ended December 31, 2019, we entered into the following contracts with the subsidiaries of Zall:

We entered into a logistics agency contract with Hankou North in 2018 and the total logistic service fee in 2019 was \$1,952 thousand. As of December 31, 2019, \$62 thousand has not been received.

We entered into a logistics agency contract with Zall Foreign Trade Service (Hong Kong) Company Limited (“Zall HK”) in 2018, which is one of Zall’s subsidiaries. The total logistic service fee in 2019 was \$770 thousand. As of December 31, 2019, about \$53 thousand has not been received.

We entered into a Contract of Network Marketing Technical Services with Zall HK in 2018. The total advertising fee in 2019 was \$8,334 thousand. As of December 31, 2019, \$220 thousand has not been settled.

We signed a Share Transfer Agreement with Wuhan Zall Internet Technology Co., Ltd in 2019. The total purchase price was \$4,223 thousand. The balance as of December 31, 2019 was \$4,223 thousand and \$1,429 thousand was received subsequently by this report date.

We entered into a Contract of GPS Project Technical Services with Hankou North in 2019. The total technical services fee received from Hankou North was \$123 in 2019 and all settled as of December 31, 2019.

We entered into a Contract of Technical Development Services with Demon Network Technology (Hong Kong) Co., Ltd. (“Demon Hong Kong”) in 2019. The total technical services fee received from Demon Hong Kong in 2019 was \$749. As of December 31, 2019, \$315 has not been received

We entered into a Contract of Website Maintenance Services with Shanghai Zhijie E-Commerce Co., Ltd in 2018. Shanghai Zhijie E-Commerce Co., Ltd is an affiliate of the Group. The total service fee in 2019 was \$189. As of December 31, 2019, \$19 has not been settled.

Employment Agreements

See “Item. 6 Directors, Senior Management and Employees—B. Compensation—Employment Agreements.”

Share Options

See “Item. 6 Directors, Senior Management and Employees—B. Compensation—Share Incentive Plans.”

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

See “Item 18. Financial Statements.”

Legal and Administrative Proceedings

We are not currently a party to any legal proceeding or investigation which, in the opinion of our management, is likely to have a material adverse effect on our business, financial condition or results of operations.

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. 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 subsidiaries and may, in the future, rely on dividends and cash distributed by our PRC subsidiaries through our Hong Kong subsidiaries for the cash requirement of the holding company. Certain payments from our PRC subsidiaries 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 subsidiaries, 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 subsidiaries, 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 “Item 3. Key Information—D. 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 businesses.”

B. Significant Changes

We have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details.

Our ADSs, each representing two of our ordinary shares, have been listed on the New York Stock Exchange since June 6, 2013 under the symbol “LITB.”

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs, each representing two of our ordinary shares, have been listed on the New York Stock Exchange since June 6, 2013 under the symbol “LITB.”

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We incorporate by reference into this annual report the description of our fourth amended and restated memorandum and articles of association contained in our F-1 registration statement (File No. 333-187965), as amended, filed with the SEC on May 23, 2013. Our shareholders adopted our fourth amended and restated memorandum and articles of association by unanimous resolutions on the same date, and effective upon completion of our initial public offering of ordinary shares represented by our ADSs. We adopted an amendment to fourth amended and restated memorandum and articles of association on August 17, 2018, which is filed herewith as Exhibit 1.2.

C. Material Contracts

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

D. Exchange Controls

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

E. Taxation

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

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty or withholding tax applicable to us or to any holder of our ADSs and ordinary shares. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of, the Cayman Islands, or produced before a court of the Cayman Islands. No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands. The Cayman Islands is not party to any double tax treaties applicable to payments made to or by us. There are no exchange control regulations or currency restrictions in the Cayman Islands.

People's Republic of China Taxation

The New EIT Law, which was issued in 2007 and amended in 2017 and 2018, and its Implementation Rules, which were issued in 2007, provide that China-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its foreign investor, will normally be subject to PRC 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, and Qianhai Xuyi, which is 100% owned by Ezbuy Holdings 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 receive from Lanting Jishi or Ezbuy Holdings Limited receives from Qianhai Xuyi may be subject to withholding tax at a rate of 5%, provided that: (a) Light In The Box or Ezbuy Holdings 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 or Ezbuy Holdings 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 or Ezbuy Holdings Limited holds at least 25% of the equity interest of Qianhai Xuyi and (d) all other conditions and requirements under the Double Taxation Avoidance Arrangement shall be satisfied.

Under the New EIT Law, enterprises established under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered to be PRC tax resident enterprises for tax purposes. If we are considered a PRC tax resident enterprise, then our global income will be subject to PRC enterprise income tax at the rate of 25%.

The Implementation Rules of the New EIT Law provide that, (i) if the enterprise that distributes dividends is domiciled in the PRC, or (ii) if gains are realized from transferring equity interests of enterprises domiciled in the PRC, then such dividends or capital gains are treated as China-sourced income. It is not clear how "domicile" may be interpreted under the New EIT Law, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered as a PRC tax resident enterprise for tax purposes, any dividends we pay to our overseas shareholders or ADS holders which are non-resident enterprises as well as gains realized by such shareholders or ADS holders from the transfer of our shares or ADSs may be regarded as China-sourced income and as a result become subject to PRC withholding tax at a rate of up to 10%.

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 we pay to our overseas shareholders or ADS holders who are non-resident individuals and such gains realized by such shareholders from the transfer of our shares or ADSs 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.

Material United States Federal Income Tax Considerations

The following summary describes the material United States federal income tax consequences to United States Holders (as defined below) of the ownership of our ordinary shares and ADSs as of the date hereof. Except where noted, this summary deals only with ordinary shares and ADSs held as capital assets. As used herein, the term "United States Holder" means a beneficial owner of an ordinary share or ADS that is for United States federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or

- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust, or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

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

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a U.S. expatriate;
- a tax-exempt organization;
- a person holding our ordinary shares or ADSs as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a person who owns or is deemed to own 10% or more of our stock (by vote or value);
- a person who acquired ordinary shares or ADSs pursuant to the exercise of any employee share option or otherwise as compensation;
- a partnership or other pass-through entity for United States federal income tax purposes;
- a person required to accelerate the recognition of any item of gross income with respect to our ordinary shares or ADSs as a result of such income being recognized on an applicable financial statement; or
- a person whose “functional currency” is not the United States dollar.

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

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

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

ADSs

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

Taxation of Dividends

Subject to the discussion under “—Passive Foreign Investment Company” below, the gross amount of distributions on the ADSs or ordinary shares (including any amounts withheld to reflect PRC withholding taxes) will be taxable as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Such income (including withheld taxes) will be includable in your gross income as ordinary income on the day actually or constructively received by you, in the case of the ordinary shares, or by the depository, in the case of ADSs. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code.

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

In the event that we are deemed to be a PRC resident enterprise under the PRC tax law, you may be subject to PRC withholding taxes on dividends paid to you with respect to the ADSs or ordinary shares. See “—People’s Republic of China Taxation.” In that case, subject to certain conditions and limitations, PRC withholding taxes on dividends may be treated as foreign taxes eligible for credit against your United States federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on the ADSs or ordinary shares will be treated as foreign-source income and will generally constitute passive category income. However, in certain circumstances, if you have held the ADSs or ordinary shares for less than a specified minimum period during which you are not protected from risk of loss, or are obligated to make payments related to the dividends, you will not be allowed a foreign tax credit for any PRC withholding taxes imposed on dividends paid on the ADSs or ordinary shares. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, as determined under United States federal income tax principles, the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of the ADSs or ordinary shares (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognized by you on a subsequent disposition of the ADSs or ordinary shares), and the balance in excess of adjusted basis will be taxed as capital gain recognized on a sale or exchange. However, we do not expect to determine our earnings and profits in accordance with United States federal income tax principles. Therefore, you should expect that a distribution will generally be treated as a dividend (as discussed above).

Passive Foreign Investment Company

Based on the composition of our income and assets, and the valuation of our assets, including goodwill, we do not believe that we were a PFIC for 2019. However, as 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, our United States counsel expresses no opinion with respect to our PFIC status.

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

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

For this purpose, passive income generally includes dividends, interest, royalties and rents (other than royalties and rents derived in the active conduct of a trade or business and not derived from a related person). If we own at least 25% (by value) of the stock of another corporation, we will be treated, for purposes of the PFIC tests, as owning our proportionate share of the other corporation's assets and receiving our proportionate share of the other corporation's income. However, it is not entirely clear how the contractual arrangements between us and our VIEs will be treated for purposes of the PFIC rules. 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.

The determination of whether we are a PFIC is made annually. Accordingly, it is possible that we may become a PFIC in the current or any future taxable year due to changes in our asset or income composition. Because we have valued our goodwill based on the market value of our equity, and given the volatility of the market price of the ADSs, a decrease in the price of the ADSs may also result in our becoming a PFIC. If we are a PFIC for any taxable year during which you hold the ADSs or ordinary shares, you will be subject to special tax rules discussed below.

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

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

The tax liability for amounts allocated to taxable years prior to the year of disposition or excess distribution cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale or other disposition of the ADSs or ordinary shares cannot be treated as capital gain, even if you hold the ADSs or ordinary shares as capital assets.

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

In certain circumstances, in lieu of being subject to the excess distribution rules discussed above, you may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method, provided that such stock is regularly traded on a qualified exchange. Under current law, the mark-to-market election may be available to United States Holders of ADSs because the ADSs are listed on the New York Stock Exchange, which constitutes a qualified exchange, although there can be no assurance that the ADSs will be "regularly traded" for purposes of the mark-to-market election. It should also be noted that it is intended that only the ADSs and not the ordinary shares will be listed on the New York Stock Exchange. Consequently, if you are a United States Holder of ordinary shares that are not represented by ADSs, you generally will not be eligible to make a mark-to-market election if we are or were to become a PFIC.

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

Your adjusted tax basis in the ADSs will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If you make a mark-to-market election it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the ADSs are no longer regularly traded on a qualified exchange or the Internal Revenue Service consents to the revocation of the election. You are urged to consult your tax advisors about the availability of the mark-to-market election, and whether making the election would be advisable in your particular circumstances.

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

If we are a PFIC for any taxable year during which you hold the ADSs or ordinary shares and any of our non-United States subsidiaries is also a PFIC or we make direct or indirect equity investments in other entities that are PFICs, a United States Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. You are urged to consult your tax advisors about the application of the PFIC rules to any of our subsidiaries.

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

Taxation of Capital Gains

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

Information Reporting and Backup Withholding

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

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

Additional Reporting Requirements

Certain United States Holders are required to report information relating to an interest in the ADSs or ordinary shares, subject to certain exceptions (including an exception for ADSs or ordinary shares held in accounts maintained by certain financial institutions), by attaching a complete Internal Revenue Service Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold ADSs or ordinary shares. United States Holders should consult their tax advisors regarding the effect, if any, of these rules on their ownership and disposition of the ADSs and ordinary shares.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

As allowed by the SEC, in Item 19 of this annual report, we incorporate by reference certain information we previously filed with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this annual report.

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

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

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

In accordance with NYSE Rule 203.01, we will post this annual report on our website. In addition, we will provide hardcopies of our annual report to shareholders, including ADS holders, free of charge upon request.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risks

Interest Rate Risk

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

Foreign Exchange Risk

Our revenues are generated from more than 140 countries and regions using different currencies and some of our expenses are denominated in Renminbi, while the functional currency is U.S. dollar. In addition, our PRC subsidiaries and consolidated affiliated entities hold U.S. dollars in PRC bank accounts to pay for certain Renminbi-denominated expenses such as payroll and rent. As such, they are subject to foreign exchange translation differences on their U.S. dollar balances. The unrealized foreign exchange impacts relate to accounts payable denominated in Renminbi held by Hong Kong entities with U.S. dollar as functional currency were approximately negative \$196,000, positive \$100,000 and 107,000 for the years ended December 31, 2017, 2018 and 2019, respectively, and the unrealized foreign exchange impacts relate to the U.S. dollars held by PRC entities with Renminbi as functional currency were approximately negative positive \$449,000, negative \$14,000 and nil for each of the years ended December 31, 2017, 2018 and 2019, respectively. All foreign exchange impact was recorded in general and administrative expenses in our consolidated statement of operations (except for those exchange impact caused by translation of financial statements, which is recorded in other comprehensive losses in our consolidated statement of comprehensive loss).

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

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the current policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Following the removal of the U.S. dollar peg, the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. During the period between July 2008 and June 2010, the Renminbi has traded stably within a narrow range against the U.S. dollar. Since June 2010, the Renminbi has appreciated further against the U.S. dollar, though there have been periods, especially during 2014, when the U.S. dollar has appreciated against the Renminbi as well. Starting in August 2015, the U.S. dollar gradually appreciated against the Renminbi, until early 2017, when it began to weaken. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

In addition, many of our customers pay for our products in currencies other than U.S. dollars but we report our financial results in U.S. dollars and, as a result, our financial results may be impacted by fluctuations in foreign currency exchange rates. We sell to customers in over 140 countries and territories. If the U.S. dollar appreciates against these foreign currencies, our translation of foreign currency denominated transactions will result in lower total revenues, operating expenses and net income. Since January 2016, the U.S. Dollar Index, a measure of the value of the U.S. dollars against a basket of six major world currencies, has depreciated almost 3%. In particular, Europe represented the largest region to which our products were sold in 2018 and our revenues generated from Europe were 48.2% of our total revenues for the same year. Since January 2016, the U.S. dollar has fluctuated in value as compared to the Euro, and in December 2016, the Euro fell to a 13-year low against the U.S. dollar with 1 Euro equating to 1.04 U.S. dollars. If the U.S. dollar appreciates against foreign currencies, our translation of foreign currency denominated transactions will result in lower total revenues, operating expenses and net income. As we are deepening our penetration of geographic markets globally, our exposure to exchange rate fluctuations has increased. We have no hedges against currency risk. Fluctuations in foreign currency exchange rates could significantly impact our financial results, which may result in an impact on our share price.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares Fees Paid by Our ADS Holders

As an ADS holder, you will be required to pay the following service fees to the depositary, The Bank of New York Mellon:

Persons depositing or withdrawing shares or ADS holders must pay:	For:
\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	<ul style="list-style-type: none"> · Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property · Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
\$.05 (or less) per ADS	<ul style="list-style-type: none"> · Any cash distribution to ADS holders
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	<ul style="list-style-type: none"> · Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS holders
\$.05 (or less) per ADS per calendar year	<ul style="list-style-type: none"> · Depositary services Registration or transfer fees
Registration or transfer fees	<ul style="list-style-type: none"> · Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Expenses of the depositary	<ul style="list-style-type: none"> · Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) · converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	<ul style="list-style-type: none"> · As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	<ul style="list-style-type: none"> · As necessary

As an ADS holder you will also be responsible to pay certain fees and expenses incurred by the depositary and certain taxes and governmental charges such as:

- Fees for the transfer and registration of ordinary shares charged by the registrar and transfer agent for the ordinary shares in the Cayman Islands (i.e., upon deposit and withdrawal of ordinary shares).
- Expenses incurred for converting foreign currency into U.S. dollars.
- Expenses for cable, telex and fax transmissions and for delivery of securities.
- Taxes and duties upon the transfer of securities (i.e., when ordinary shares are deposited or withdrawn from deposit).
- Fees and expenses incurred in connection with the delivery or servicing of ordinary shares on deposit.

Depositary fees payable upon the issuance and cancellation of ADSs are typically paid to the depositary bank by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depositary bank and by the brokers (on behalf of their clients) delivering the ADSs to the depositary bank for cancellation. The brokers in turn charge these fees to their clients. Depositary fees payable in connection with distributions of cash or securities to ADS holders and the depositary services fee are charged by the depositary bank to the holders of record of ADSs as of the applicable ADS record date.

The Depositary fees payable for cash distributions are generally deducted from the cash being distributed. In the case of distributions other than cash (i.e., stock dividend, rights), the depositary bank charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary bank sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary bank generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depositary banks.

In the event of refusal to pay the depositary fees, the depositary bank may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder.

Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary. You will receive prior notice of such changes.

Fees and Payments from the Depositary to Us

Our depositary has agreed to reimburse us for certain expenses we incur that are related to the administration and maintenance of the ADS program. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not related to the amounts of fees the depositary collects from investors. The depositary has reimbursed us for any expenses related to the administration and maintenance of the facility in an amount of \$1.2 million in total, after deduction of applicable U.S. taxes.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

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

We have filed a registration statement on Form F-3 (File No. 333-212007) in relation to the potential sale of our ordinary shares represented by ADSs by certain of our shareholders from time to time, and we will not receive any of the proceeds from any sale of ADSs by the selling shareholders.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized and reported within the specified time periods and accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. Our management, under the supervision and with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Exchange Act, at December 31, 2019. Based on that evaluation, our principal executive officer and principal financial officer have concluded that, as of December 31, 2019, our disclosure controls and procedures were not effective in ensuring that material information required to be disclosed in this annual report is recorded, processed, summarized and reported to them for assessment, and required disclosure is made within the time period specified in the rules and forms of the SEC, due to the material weaknesses in our internal control over financial reporting described below: In preparing our consolidated financial statements as of and for the year ended December 31, 2019 included in our annual report on Form 20-F for 2019, we and our independent registered public accounting firm identified three material weaknesses in our internal control over financial reporting, as defined in the standards established by the Public Company Accounting Oversight Board of the United States, or PCAOB. The identified material weaknesses arose from our i) insufficient financial reporting and accounting expertise necessary to comply with U.S. GAAP and SEC reporting and compliance requirements, ii) ineffective operation of controls related to our management of our information technology user access and change for certain systems relating to financial reporting and iii) insufficient controls to monitor for international sales tax exposures.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with U.S. GAAP, and that receipts and expenditures of our company are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of our company's assets that could have a material effect on the consolidated financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management conducted an evaluation of the effectiveness of our company's internal control over financial reporting as of December 31, 2019 based on the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was ineffective as of December 31, 2019, due to the material weaknesses in our internal control over financial reporting as described above.

Attestation Report on Internal Controls Over Financial Reporting

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting because the Company is neither an accelerated filer nor a large accelerated filer and therefore is exempt from the requirement of an attestation report.

Changes in Internal Control over Financial Reporting

In preparing our consolidated financial statements as of and for the year ended December 31, 2018 included in our annual report on Form 20-F for 2018, we identified one material weakness in our internal control over financial reporting, as defined in the standards established by the Public Company Accounting Oversight Board of the United States, or PCAOB. The identified material weakness arose from lack of sufficient financial reporting and accounting personnel to formalize and implement certain key policies and procedures over financial reporting process. Following the identification of the material weakness identified in 2018, our management team began to implement measures to improve our internal control over financial reporting, including: (i) the recruitment of experienced personnel with relevant past experience working on U.S. GAAP and the SEC reporting; and (ii) the establishment of certain policies and procedures and provision of internal training to accounting and reporting personnel. However, the implementation of these measures did not fully address the material weakness in our internal control over financial reporting and our management concluded that the material weakness continued to exist as of December 31, 2019.

In preparing our consolidated financial statements as of and for the year ended December 31, 2019 included in our annual report on Form 20-F for 2019, we also identified i) deficiencies in our management of our information technology user access and change for certain internal systems relating to financial reporting that aggregated into a material weakness and ii) insufficient controls to monitor for international sales tax exposures. Therefore, as of December 31, 2019, three material weaknesses existed in our internal control over financial reporting as described above. We are in the process of implementing the aforementioned measures as well as the implementation of effective controls over i) the management of our information technology user access and change for certain internal systems relating to financial reporting and ii) the monitoring for international sales tax exposures to remediate the material weaknesses. Other than as described above, there were no changes in our internal controls over financial reporting that occurred during the year ended December 31, 2019 that have materiality affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that Dr. Hanhua Wang qualifies as "audit committee financial expert" as defined in Item 16A of Form 20-F. All three members of our audit committee satisfy the "independence" requirements of the NYSE rules and Rule 10A-3(b)(1) under the Exchange Act.

ITEM 16B. CODE OF ETHICS

Our board of directors has adopted a code of ethics that applies to our directors, officers, employees and agents, including certain provisions that specifically apply to our executive officers, including our principal executive and financial officers, president and vice presidents and any other persons who perform similar functions for us. We have filed our code of business conduct and ethics as an exhibit to our registration statement on Form F-1 (File Number 333-187965), as amended, initially filed with the SEC on April 17, 2013. The code is also available on our official website under the investor relations section at <http://ir.lightinthebox.com>.

We hereby undertake to provide to any person without charge, a copy of our code of business conduct and ethics within ten working days after we receive such person's written request.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**Audit Fees**

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by our principal external auditors for the periods indicated. We did not pay any other fees to our auditors during the periods indicated below.

	Year Ended December 31,	
	2018	2019
Audit Fees ⁽¹⁾		
Deloitte Touche Tohmatsu Certified Public Accountants LLP	538	160
KPMG Huazhen LLP	715	680
Ernst & Young Hua Ming LLP		565
Audit-related Fees ⁽²⁾		
Deloitte Touche Tohmatsu Certified Public Accountants LLP	—	—
KPMG Huazhen LLP	—	—
	1,253	1,405

(1) "Audit fees" represent the aggregate fees billed for each of the fiscal years listed for professional services rendered by our principal auditors for the audit of our annual financial statements or services that are normally provided by the auditors in connection with statutory and regulatory filings or engagements.

(2) "Audit-related fees" represent the aggregate fees billed in each of the fiscal years listed for assurance and related services by our principal auditors for services rendered that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under "Audit fees".

The policy of our audit committee is to pre-approve all audit and non-audit services provided by our principal external auditors, including audit services, audit-related services, tax services and other services as described above, other than those for de minimis services which are approved by the Audit Committee prior to the completion of the audit.

Audit of Financial Statements

During fiscal year 2017, Deloitte Touche Tohmatsu Certified Public Accountants LLP was our principal auditor and no audit work was performed by persons outside of this firm until the change in principal auditor in 2018. After a change in principal auditor in fiscal year 2018, KPMG Huazhen LLP was our principal auditor and audited fiscal year 2018 and no audit work was performed by persons outside of this firm until the change in principal auditor in 2019. After a change in principal auditor in fiscal year 2019, Ernst & Young Hua Ming LLP was our principal auditor and audited fiscal year 2019 and no audit work was performed by persons outside of this firm.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS.

2016 Share Repurchase Program

On June 8, 2016, we announced the implementation of a share repurchase program of up to \$10.0 million worth of our outstanding ADSs, each representing two of ordinary shares on the open market at prevailing market prices or in privately negotiated transactions from June 15, 2016 through June 14, 2017. In June 2017, we announced the extension of the program until June 14, 2018. The program terminated on June 14, 2018, in accordance with its terms.

On December 23, 2019, we announced the implementation and the execution of a share repurchase program of up to US\$3 million of our ordinary shares in the form of American Depositary Shares through June 28, 2020, may be made from time to time on the open market at prevailing market prices, in open-market transactions, privately negotiated transactions or block trades. As of April 23, 2020, 969,818 of our ADSs were repurchased under this program. As of the date of this annual report, the foregoing share repurchase program is still effective.

The following table sets forth information about our purchases of outstanding ADSs from December 24, 2019 to April 23, 2020.

Periods	Total Number of ADSs Purchased	Average Price Paid per ADS ⁽¹⁾	Total Number of ADSs Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾	Approximate Dollar Value of ADSs that May Yet Be Purchased Under the Program ⁽²⁾
December 2019	242,990	1.00	243,725	2.7 million
January 2020	346,803	1.05	365,630	2.4 million
February 2020	238,091	0.98	233,111	2.1 million
March 2020	141,934	0.96	135,966	2.0 million
April 2020	—	—	—	2.0 million
Total	<u>969,818</u>	<u>1.01</u>	<u>978,433</u>	<u>2.0 million</u>

(1) Each of our ADSs represents two ordinary shares. The average price per ADS is calculated using the execution price for each repurchase excluding commissions paid to brokers.

(2) Under our share purchase programs announced in December 2019, repurchases of our ADSs have been and will be, made from time to time on the open market at prevailing market prices or in privately negotiated transactions or block trades subject to the restrictions relating to volume, price and timing. This share repurchase program was implemented in a manner consistent with market conditions, the interest of the shareholders, the trading price of the ADSs and in compliance with relevant rules under the Exchange Act.

ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT.

Effective from November 20, 2019, we engaged Ernst & Young Hua Ming LLP, or E&Y, as our independent registered public accounting firm. We also dismissed KPMG Huazhen LLP, or KPMG, on the same date. The change of our independent registered public accounting firm was approved by the audit committee of our board.

The audit report of KPMG on our consolidated financial statements as of and for the year ended December 31, 2018, did not contain any adverse opinion or disclaimer of opinion, nor was the report qualified or modified as to uncertainty, audit scope, or accounting principles, except as follows:

KPMG’s report on our consolidated financial statements as of and for the year ended December 31, 2018 contained a separate paragraph stating that “As discussed in Note 2 to the consolidated financial statements, the Company had changed its method of accounting for revenue recognition in 2018 due to the adoption of ASU No. 2014-09 - *Revenue from Contracts with Customers (Topic 606)*, as amended.”

During the year ended December 31, 2018 and the subsequent period prior to our engagement of E&Y, there were (i) no disagreements between us and KPMG on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, any of which, if not resolved to KPMG’s satisfaction, would have caused KPMG to make reference thereto in their reports, and (ii) no “reportable events” requiring disclosure pursuant to Item 16F(a)(1)(v) of the instructions to Form 20-F in connection with our annual report on Form 20-F, except that KPMG advised us of one material weakness in our internal control over financial reporting related to lack of sufficient financial reporting and accounting personnel to formalize and implement certain key controls over financial reporting process.

We provided KPMG with a copy of the disclosures under this Item 16F and requested from KPMG a letter addressed to the Securities and Exchange Commission indicating whether it agrees with such disclosures. A copy of KPMG’s letter dated May 1, 2020 is attached as Exhibit 16.1.

During each of the year ended December 31, 2017 and 2018 and the subsequent period prior to our engagement of E&Y, neither we nor anyone on behalf of us has consulted with E&Y regarding (i) the application of accounting principles to a specific transaction, either completed or proposed, or the type of audit opinion that might be rendered on our consolidated financial statements, and neither a written report nor oral advice was provided to us that E&Y concluded was an important factor considered by us in reaching a decision as to any accounting, auditing, or financial reporting issue, (ii) any matter that was the subject of a disagreement pursuant to Item 16F(a)(1)(iv) of the instructions to Form 20-F, or (iii) any reportable event pursuant to Item 16F(a)(1) (v) of the instructions to Form 20-F.

ITEM 16G. CORPORATE GOVERNANCE.

We are a “foreign private issuer” (as such term is defined in Rule 3b-4 under the Exchange Act), and our ADSs, each representing two ordinary shares, are listed on the New York Stock Exchange. Under Section 303A of the New York Stock Exchange Listed Company Manual, New York Stock Exchange listed companies that are foreign private issuers are permitted to follow home country practice in lieu of the corporate governance provisions specified by the New York Stock Exchange with limited exceptions. The following summarizes some significant ways in which our corporate governance practices differ from those followed by domestic companies under the listing standards of the New York Stock Exchange.

Under the New York Stock Exchange Listed Company Manual, or the NYSE Manual, U.S. domestic listed companies are required to have a compensation committee and a nominating/corporate governance committee, each composed entirely of independent directors, which are not required under the Companies Law (2020 Revision) of the Cayman Islands, our home country. Currently, our compensation committee is composed of three members, only two of whom are independent directors. Our corporate governance and nominating committee is composed of three members, only two of whom are independent directors. The NYSE Manual also requires U.S. domestic listed companies to regularly hold executive sessions for non-management directors, or an executive session that only includes independent directors at least once a year. We are not subject to this requirement under the Cayman Islands law and have decided to follow our home country practice on this matter. In addition, the NYSE Manual requires shareholder approval for certain matters, such as requiring that shareholders must be given the opportunity to vote on all equity compensation plans and material revisions to those plans, which is not required under the Cayman Islands law. We intend to follow the home country practice in determining whether shareholder approval is required.

ITEM 16H. MINE SAFETY DISCLOSURE.

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS.

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

ITEM 18. FINANCIAL STATEMENTS.

ITEM 19. EXHIBITS.

Exhibit Number	Description of Document
1.1*	Fourth Amended and Restated Memorandum and Articles of Association of the Registrant as currently in effect
1.2**	Amendment to Fourth Amended and Restated Memorandum and Articles of Association of the Registrant
2.1*	Registrant's Form of Ordinary Share Certificate
2.2†	Form of Deposit Agreement between the Registrant and The Bank of New York Mellon, as depositary and Owners and Holders of the American Depositary Shares issued therein
2.3†	Form of American depositary receipt evidencing American depositary shares (included in Exhibit 2.2)
2.4*	Second Amended and Restated Shareholders Agreement, dated as of September 28, 2010, among the Registrant, Ceyuan Ventures II, L.P., Ceyuan Ventures Advisors Fund II, LLC, GSR Ventures III, L.P., Banean Holdings Ltd, Trustbridge Partners III, L.P. and certain other persons named therein
2.5*	Amended and Restated Right of First Refusal and Co-Sale Agreement, dated as of September 28, 2010, among the Registrant, Ceyuan Ventures II, L.P., Ceyuan Ventures Advisors Fund II, LLC, GSR Ventures III, L.P., Banean Holdings Ltd, Trustbridge Partners III L.P. and certain other persons named therein
2.6***	Investor Rights Agreement dated as of March 30, 2016 between the Registrant and Zall Cross-Border E- Commerce Investment Company Limited, Mr. Alan Quji Guo and Wincore Holdings Limited
4.1*	Form of Indemnification Agreement between the Registrant and its directors and executive officers
4.2*	Form of Employment Agreement between the Registrant and its executive officers
4.3*	Exclusive Technical and Consulting Service Agreement between Lanting Jishi and Lanting Huitong
4.4*	Business Operation Agreement among Lanting Jishi, Lanting Huitong and Lanting Huitong's shareholders
4.5*	Equity Disposal Agreement among Lanting Jishi, Lanting Huitong and Lanting Huitong's shareholders
4.6*	Share Pledge Agreement among Lanting Jishi, Lanting Huitong and Lanting Huitong's shareholders
4.7*	Powers of Attorney issued by each of Lanting Huitong's shareholders
4.8*	Spousal Consent Letters issued by spouses of certain shareholders of Lanting Huitong
4.9*	Exclusive Technical and Consulting Service Agreement between Lanting Jishi and Lanting Gaochuang
4.10*	Business Operation Agreement among Lanting Jishi, Lanting Gaochuang and Lanting Gaochuang's shareholders
4.11*	Equity Disposal Agreement among Lanting Jishi, Lanting Gaochuang and Lanting Gaochuang's shareholders
4.12*	Share Pledge Agreement among Lanting Jishi, Lanting Gaochuang and Lanting Gaochuang's shareholders
4.13*	Loan Agreement between Mr. Quji (Alan) GUO and Lanting Jishi
4.14*	Powers of Attorney issued by each of Lanting Gaochuang's shareholders
4.15*	Amended and Reinstated 2008 Share Incentive Plan of the Registrant
4.16††	Amendment No. 1 to the LightInTheBox Holding Co., Ltd. Amended and Reinstated 2008 Share Incentive Plan
4.17†††	Subscription Agreement dated as of March 17, 2016 between Zall Cross-Border E-Commerce Investment Company Limited and LighInTheBox Holding Co., Ltd.
4.18****	Warrant to Purchase Ordinary Share of LightInTheBox Holding Co., Ltd. dated as of March 30, 2016 among the Registrant and Zall Cross-Border E-Commerce Investment Company Limited
4.19*****	Declaration of Trust executed by Mr. Tang Le dated July 4, 2016 as to Light Square Limited
4.20*****	Share Purchase Agreement, dated as of November 7, 2018, by and among the Company and the parties set forth therein
4.21	Loan Agreement between Lanting Huitong and Jian He
4.22*****	2019 Share Incentive Plan of the Registrant
4.23	Declaration of Trust, executed by Qianneng Fu dated February 24, 2020 as to Light Xiao Limited, Zeqiang Sun dated April 14, 2020 as to Light Square Limited, Zeqiang Sun dated April 14, 2020 as to Fashion Easy-go International Trading Co., Limited, and Jian He dated July 22, 2019 as to Light Linnet Limited, respectively.
8.1	List of Subsidiaries of the Registrant
11.1*	Code of Business Conduct and Ethics of the Registrant
12.1	Principal Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2	Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1#	Principal Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2#	Principal Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP
15.2	Consent of KPMG Huazhen LLP
15.3	Consent of Ernst & Young Hua Ming LLP
15.4	Consent of Guangdong LianYue Law Firm
15.5	Consent of Maples and Calder (Hong Kong) LLP
16.1	Letter dated May 1, 2020 of KPMG Huazhen LLP, as required by Item 16F of Form 20-F
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Previously filed with the Registration Statement on Form F-1 (File No. 333-187965), initially filed on April 17, 2013 and incorporated herein by reference.

** Previously filed with our annual report on Form 20-F for the fiscal year ended December 31, 2018 (File No. 001-35942) filed on April 29, 2019 and incorporated herein by reference.

† Previously filed with the Registration Statement on Form F-6 (File No. 333-188794), dated May 23, 2013 and incorporated herein by reference.

†† Previously filed with the Registration Statement on Form S-8 (File No. 333-201100), dated December 19, 2014 and incorporated herein by reference.

††† Incorporated by reference to an exhibit to the Form 6-K (File No. 001-35942) filed with the Securities and Exchange Commission on March 17, 2016.

*** Previously filed with our annual report on Form 20-F for the fiscal year ended December 31, 2015 (File No. 001-35942) filed on April 29, 2016 and incorporated herein by reference.

**** Previously filed with our annual report on Form 20-F for the fiscal year ended December 31, 2016 (File No. 001-35942) filed on March 30, 2017 and incorporated herein by reference.

***** Incorporated by reference to an exhibit to the Form 6-K (File No. 001-35942) filed with the Securities and Exchange Commission on November 14, 2018.

***** Incorporated by reference to an exhibit to the Form 6-K (File No. 001-35942) filed with the Securities and Exchange Commission on January 25, 2019.

Furnished with this annual report on Form 20-F.

SIGNATURES

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

LightInTheBox Holding Co., Ltd.

By: /s/ Jian He
Name: Jian He
Title: Chief Executive Officer

Date: May 1, 2020

LIGHTINTHEBOX HOLDING CO., LTD.

LIGHTINTHEBOX HOLDING CO., LTD.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of LightInTheBox Holding Co., Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of LightInTheBox Holding Co., Ltd. (the "Company") as of December 31, 2019, the related consolidated statements of operations, comprehensive (loss) / income, changes in equity / (deficit) and cash flows for the year ended December 31, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019, and the results of its operations and its cash flows for the year ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

Adoption of New Accounting Standard

As discussed in Note 2 to the consolidated financial statements, the Company changed its method for accounting for leases in the year ended December 31, 2019.

Basis for Opinion

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

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

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

/s/ Ernst & Young Hua Ming LLP

We have served as the Company's auditor since 2019.
Shanghai, the People's Republic of China
May 1, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors
LightInTheBox Holding Co., Ltd.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of LightInTheBox Holding Co., Ltd. and subsidiaries (the “Company”) as of December 31, 2018, the related consolidated statements of operations, comprehensive loss, changes in equity / (deficit), and cash flows for the year then ended, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company had changed its method of accounting for revenue recognition in 2018 due to the adoption of ASU No. 2014-09 — *Revenue from Contracts with Customers (Topic 606)*, as amended.

Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ KPMG Huazhen LLP

We served as the Company’s auditor from 2018 to 2019.

Beijing, China
April 29, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of LightInTheBox Holding Co., Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of operations, comprehensive (loss)/income, change in equity/(deficit) and cash flow of LightInTheBox Holding Co., Ltd. (the “Company”), its subsidiaries, its variable interest entities (the “VIEs”) and its VIE’s subsidiary (collectively the “Group”) for the year ended December 31, 2017, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the results of the Group’s operations and its cash flow for the year ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Beijing, the People’s Republic of China

March 28, 2018 (April 29, 2019 as to Note 2 (f) and Note 23)

LIGHTINTHEBOX HOLDING CO., LTD.
CONSOLIDATED BALANCE SHEETS
 (U.S. dollars in thousands, except share data and per share data, or otherwise noted)

	Notes	December 31,	
		2018	2019
ASSETS			
Current assets			
Cash and cash equivalents		\$ 38,808	\$ 37,736
Restricted cash		994	2,709
Accounts receivable, net of allowance for doubtful accounts		1,463	1,356
Amounts due from related parties	20	—	4,600
Inventories		8,481	7,357
Prepaid expenses and other current assets	4	5,811	3,619
Total current assets		55,557	57,377
Property and equipment, net	5	3,652	3,502
Intangible assets, net	7	9,890	8,516
Goodwill	6	28,169	27,922
Operating lease right-of-use assets	8	—	12,233
Long-term rental deposits		1,131	778
Long-term investments	9	5,188	2,873
TOTAL ASSETS		\$ 103,587	\$ 113,201
LIABILITIES AND (DEFICIT) / EQUITY			
Current Liabilities			
Accounts payable (including accounts payable of the consolidated VIEs without recourse to LightInTheBox Holding Co., Ltd. of \$5 and \$135 as of December 31, 2018 and 2019, respectively)		\$ 12,941	\$ 17,643
Amounts due to related parties	20	4,953	186
Convertible promissory notes	11	51,922	—
Advance from customers		17,732	21,731
Operating lease liabilities	8	—	3,470
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of the consolidated VIEs without recourse to LightInTheBox Holding Co., Ltd. of \$4,673 and \$1,012 as of December 31, 2018 and 2019, respectively)	10	22,688	28,642
Total current liabilities		110,236	71,672
Operating lease liabilities	8	—	8,801
Long-term payable	8	1,156	847
TOTAL LIABILITIES		\$ 111,392	\$ 81,320
(DEFICIT) / EQUITY			
Ordinary shares (\$0.000067 par value; 750,000,000 shares authorized; 150,011,929 and 203,349,887 shares issued as of December 31, 2018 and 2019, respectively; 134,456,369 and 187,214,651 shares outstanding as of December 31, 2018 and 2019, respectively)	12	\$ 11	\$ 14
Additional paid-in capital		239,269	262,888
Forward contracts	11	—	15,769
Treasury shares, at cost (13,525,810 and 14,011,790 shares as of December 31, 2018 and 2019, respectively)		(27,261)	(27,512)
Accumulated other comprehensive loss		(932)	(1,444)
Accumulated deficit		(218,887)	(217,888)
Non-controlling interests		(5)	54
TOTAL (DEFICIT) / EQUITY		(7,805)	31,881
TOTAL LIABILITIES AND (DEFICIT) / EQUITY		\$ 103,587	\$ 113,201

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

LIGHTINTHEBOX HOLDING CO., LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
 (U.S. dollars in thousands, except per share data, or otherwise noted)

	Notes	Year ended December 31		
		2017	2018	2019
Revenues				
Product sales	19	\$ 293,951	\$ 216,407	\$ 236,705
Services and others	19	25,930	11,132	6,921
Total revenues		319,881	227,539	243,626
Cost of revenues				
Product sales		189,816	156,326	144,061
Services and others		24,445	10,017	1,968
Total cost of revenues		214,261	166,343	146,029
Gross profit		105,620	61,196	97,597
Operating expenses:				
Fulfillment		17,291	15,127	24,900
Selling and marketing		68,891	50,508	51,111
General and administrative		29,605	33,042	37,811
Other operating income		—	—	(173)
Total operating expenses		115,787	98,677	113,649
Loss from operations		(10,167)	(37,481)	(16,052)
Exchange loss on offshore bank accounts		(89)	—	—
Interest income		581	487	297
Interest expense		—	(5)	(66)
Change in fair value of convertible promissory notes	11	—	(22,791)	14,591
Other Income, net		—	—	283
Total other income / (loss)		492	(22,309)	15,105
Loss before income taxes and gain from equity method investment		(9,675)	(59,790)	(947)
Income tax expense	15	(81)	(33)	(113)
Gain from equity method investment	9	208	221	2,118
Net (loss) / income		(9,548)	(59,602)	1,058
Less: Net (loss) / income attributable to non-controlling interests		—	(1)	59
Net (loss) / income attributable to LightInTheBox Holding Co., Ltd.		\$ (9,548)	\$ (59,601)	\$ 999
Net (loss) / income per ordinary share - basic	16	\$ (0.07)	\$ (0.44)	\$ 0.01
Net loss per ordinary share - diluted	16	\$ (0.07)	\$ (0.44)	\$ (0.06)

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

LIGHTINTHEBOX HOLDING CO., LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) / INCOME
(U.S. dollars in thousands, or otherwise noted)

	Year ended December 31		
	2017	2018	2019
Net (loss) / income	\$ (9,548)	\$ (59,602)	\$ 1,058
Other comprehensive income / (loss):			
Foreign currency translation adjustment, net of nil income taxes	380	(733)	(512)
Total comprehensive (loss) / income	\$ (9,168)	\$ (60,335)	\$ 546
Less: comprehensive (loss) / income attributable to non-controlling interests	—	(1)	59
Comprehensive (loss) / income attributable to LightInTheBox Holding Co., Ltd.	\$ (9,168)	\$ (60,334)	\$ 487

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

LIGHTINTHEBOX HOLDING CO., LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN (DEFICIT) / EQUITY
(U.S. dollars in thousands, except share data, or otherwise noted)

	Ordinary Shares		Additional Paid-in Capital	Forward Contracts	Treasury Shares, At cost	Accumulated Other Comprehensive Loss	Accumulated Deficit	Non- controlling Interests	Total Equity / (Deficit)
	Shares	Amount							
Balance at January 1, 2017	137,820,605	\$ 10	\$ 236,949	—	\$ (20,806)	\$ (579)	\$ (149,738)	—	\$ 65,836
Issuance of ordinary shares upon vesting of nonvested shares	437,830	1	—	—	—	—	—	—	1
Exercise of share options	293,362	—	37	—	—	—	—	—	37
Share-based compensation	—	—	1,865	—	—	—	—	—	1,865
Repurchase of ordinary shares	(2,886,920)	—	—	—	(3,101)	—	—	—	(3,101)
Net loss	—	—	—	—	—	—	(9,548)	—	(9,548)
Foreign currency translation adjustment, net of nil income taxes	—	—	—	—	—	380	—	—	380
Balance at December 31, 2017	135,664,877	\$ 11	\$ 238,851	\$ —	\$ (23,907)	\$ (199)	\$ (159,286)	\$ —	\$ 55,470
Issuance of ordinary shares upon vesting of nonvested shares	453,652	—	—	—	—	—	—	—	—
Exercise of share options	52,000	—	13	—	—	—	—	—	13
Share-based compensation	—	—	405	—	—	—	—	—	405
Repurchase of ordinary shares	(2,704,988)	—	—	—	(3,354)	—	—	—	(3,354)
Non-controlling interests resulting for acquisition of Ezbuy	—	—	—	—	—	—	—	(4)	(4)
Net loss	—	—	—	—	—	—	(59,601)	(1)	(59,602)
Foreign currency translation adjustment, net of nil income taxes	—	—	—	—	—	(733)	—	—	(733)
Balance at December 31, 2018	134,456,369	\$ 11	\$ 239,269	\$ —	\$ (27,261)	\$ (932)	\$ (218,887)	\$ (5)	\$ (7,805)
Issuance of ordinary shares upon conversion of convertible promissory notes	51,337,958	3	21,559	—	—	—	—	—	21,562
Forward contracts	—	—	—	15,769	—	—	—	—	15,769
Issuance of ordinary shares upon vesting of nonvested shares	1,813,304	—	—	—	—	—	—	—	—
Exercise of share options	93,000	—	—	—	—	—	—	—	—
Share-based compensation	—	—	2,060	—	—	—	—	—	2,060
Repurchase of ordinary shares	(485,980)	—	—	—	(251)	—	—	—	(251)
Net income	—	—	—	—	—	—	999	59	1,058
Foreign currency translation adjustment, net of nil income taxes	—	—	—	—	—	(512)	—	—	(512)
Balance at December 31, 2019	187,214,651	\$ 14	\$ 262,888	\$ 15,769	\$ (27,512)	\$ (1,444)	\$ (217,888)	\$ 54	\$ 31,881

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

LIGHTINTHEBOX HOLDING CO., LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(U.S. dollars in thousands, or otherwise noted)

	Year ended December 31		
	2017	2018	2019
Cash flows from operating activities			
Net (loss) / income	\$ (9,548)	\$ (59,602)	\$ 1,058
<i>Adjustments to reconcile net (loss) / income to net cash used in operating activities:</i>			
Depreciation and amortization	769	870	2,518
Loss / (Gain) on disposal of property, plant and equipment	—	36	(1)
Share-based compensation	1,865	405	2,060
Unrealized foreign exchange loss / (gain)	89	339	(129)
Gain from equity method investment	(208)	(221)	(1,988)
Change in fair value of convertible promissory notes	—	22,791	(14,591)
Bad debt expense / (reversal)	—	533	(199)
Inventory write-down / (reversal when sold)	2,065	2,456	(458)
<i>Changes in operating assets and liabilities, net of effect of acquisition of Ezbuy:</i>			
Accounts receivable	(973)	1,860	(777)
Inventories	(3,293)	5,638	1,582
Prepaid expenses and other current assets	(5,985)	10,298	3,416
Due from related parties	—	—	(377)
Long-term rental deposits	(12)	(81)	353
Accounts payable	(108)	(16,185)	4,702
Amounts due to related parties	—	4,953	(4,767)
Advance from customers	1,345	(2,374)	3,999
Accrued expenses and other current liabilities	(837)	(1,584)	5,292
Operating lease right-of-use assets	—	—	(11,976)
Operating lease liabilities	—	—	12,165
Net cash (used in) / provided by operating activities	(14,831)	(29,868)	1,882
Cash flows from investing activities			
Purchase of property and equipment	(556)	(387)	(917)
Proceeds from disposal of property and equipment	—	—	236
Cash acquired from acquisition of Ezbuy	—	3,683	—
Payment for long-term investment	(2,950)	—	—
Net cash (used in) / provided by investing activities	(3,506)	3,296	(681)
Cash flows from financing activities			
Proceeds from exercise of share options	37	13	—
Repayment of long-term payable under finance leases	—	(24)	(300)
Repurchase of ordinary shares	(3,101)	(3,354)	(251)
Net cash used in financing activities	(3,064)	(3,365)	(551)
Net (decrease) / increase in cash, cash equivalents and restricted cash	(21,401)	(29,937)	650
Effect of exchange rate changes on cash and cash equivalents and restricted cash	340	(275)	(7)
Cash, cash equivalents and restricted cash at beginning of year	91,075	70,014	39,802
Cash, cash equivalents and restricted cash at end of year	\$ 70,014	\$ 39,802	\$ 40,445
Reconciliation of cash and cash equivalents and restricted cash to the consolidated balance sheets			
Cash and cash equivalents	68,441	38,808	37,736
Restricted cash	1,573	994	2,709
Total cash and cash equivalents and restricted cash	\$ 70,014	\$ 39,802	\$ 40,445
Supplemental cash flow information:			
Income taxes paid	\$ (81)	\$ (55)	\$ (133)
Interest expense paid	\$ —	\$ (4)	\$ (66)
Noncash investing activities:			
Issuance of convertible promissory notes as the consideration of acquisition of Ezbuy	\$ —	\$ 29,131	\$ —
Acquisition of property, plant and equipment included in long-term payable	\$ —	\$ (1,170)	\$ —
Purchase of property and equipment included in accrued expenses and other current liabilities	\$ —	\$ —	\$ 758
Disposal of property and equipment included in prepaid expenses and other current assets	\$ —	\$ —	\$ (400)
Operating lease right-of-use assets obtained in exchange for new operating lease liabilities	\$ —	\$ —	\$ 10,060
Disposal of long-term investment included in amounts due from related parties	\$ —	\$ —	\$ (4,223)

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

LIGHTINTHEBOX HOLDING CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019
(U.S. dollars in thousands, or otherwise noted)**

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

LightInTheBox Holding Co., Ltd. (the “Company”), incorporated in the Cayman Islands in March 2008 by five founding shareholders, together with its consolidated subsidiaries, its variable interest entities (“VIEs”) and its VIE’s subsidiary (collectively referred to the “Group”), is primarily involved in online retailing to sell and deliver products and services to consumers around the world.

(a) History of the Group and corporate reorganization

The Group commenced its operation in June 2007, with the establishment of Light In The Box Limited (“Light In The Box”) in June 2007 in Hong Kong by the same five founding shareholders of the Company. Light In The Box subsequently became the Company’s subsidiary through a share for share exchange in April 2008 which was accounted for in a manner akin to a pooling of interest as if the Company had been in existence and owned Light In The Box since June 2007.

Lightinthebox Trading (Shenzhen) Co., Ltd. (“Lanting Jishi”) was established in October 2008 in the People’s Republic of China (the “PRC”) as a wholly owned subsidiary of Light In The Box.

On March 17, 2016, Zall Cross-border E-commerce Investment Company Limited (“Zall E-Commerce”), an indirect wholly- owned subsidiary of Zall Group Ltd. (“Zall Group”), a developer and operator of large-scale consumer-focused product wholesale shopping malls in China, acquired a strategic equity interest in the Group.

On December 10, 2018, the Company acquired total issued share capital of Ezbuy Holding Co., Ltd (“Ezbuy”).

Ezbuy, incorporated in the Cayman Islands in November 2014 by its five founding shareholders, together with its consolidated subsidiaries and its VIEs, is primarily involved in online retailing to sell and deliver products and services to consumers in South-East Asia.

Ezbuy commenced its operation in December 2014, with the establishment of Ezbuy Holdings limited (“Ezbuy HK”) in December 2014 in Hong Kong, a wholly owned subsidiary of Ezbuy.

Qianhai Xuyi Information Technology (Shenzhen) Co., Ltd (“Qianhai Xuyi”) was established in March 2015 in the PRC as a wholly owned subsidiary of Ezbuy HK.

(b) The VIE arrangements

The PRC regulations currently limit direct foreign ownership of business entities providing value-added telecommunications services, advertising services and Internet services in the PRC where certain licenses are required for the provision of such services. To comply with these PRC regulations, the Group currently conducts certain aspects of its business in the PRC through Shenzhen Lanting Huitong Technologies Co.Ltd. (“Lanting Huitong”) and Beijing Lanting Gaochuang Technologies Co.Ltd. (“Lanting Gaochuang”), Shenzhen Xuyi International logistics Co., Ltd. (“Shenzhen Xuyi”), Chongqing Xuyi E-Commerce Co., Ltd. (“Chongqing Xuyi”), and Jiaxing Xuyang Logistics Co., Ltd. (“Jiaxing Xuyang”), all of which are VIEs.

Lanting Huitong was established by the shareholders of the Company in June 2008 in the PRC. Through the contractual arrangements (as described below) among Lanting Jishi, Lanting Huitong and the respective shareholders of Lanting Huitong, Lanting Huitong became the Group’s VIE.

In order to obtain the benefit granted to domestic enterprises that are held by Chinese nationals who have previously studied overseas, Mr. Quji (Alan) Guo, the Company’s co-founder and director, and Lanting Huitong established Lanting Gaochuang in December 2011, each holding 51% and 49% of Lanting Gaochuang from the Incorporation of Lanting Gaochuang to July 2019, respectively, in the China Beijing Wangjing Overseas Students Pioneer Park. In July 2019, Mr. Quji (Alan) Guo entered into an equity transfer agreement to transfer his shares in Lanting Gaochuang to Mr. Jian He. Currently, Mr. Jian He and Lanting Huitong directly hold 51% and 49% of Lanting Gaochuang, respectively. On November 22, 2019, the registered address of Lanting Gaochuang changed to Room F3-325, Tower A, Win Center, Building 6, Yard 33, Baiziwang Road Chaoyang District, Beijing, China.

Through a series of contractual arrangements (as described below) among Lanting Jishi, Lanting Gaochuang and the respective shareholders of Lanting Gaochuang, Lanting Gaochuang became the Group’s VIE.

Shenzhen Xuyi was established by the founders of Ezbuy in November 2014 in the PRC. Through the contractual arrangements (as described below) among Qianhai Xuyi, Shenzhen Xuyi and the respective shareholders of Shenzhen Xuyi, Shenzhen Xuyi became Ezbuy's VIE and then became the Group's VIE since the Group's acquisition of Ezbuy on December 10, 2018 (the "Acquisition"). In April 2020, Mr. Jian He entered into an equity transfer agreement to transfer his shares of Shenzhen Xuyi to Mr. Qianneng Fu. On April 9, 2020, the registration of this transfer with local branch of the SAIC was completed. The registered shareholders of Shenzhen Xuyi currently are Mr. Qianneng Fu and Mr. Zicong Ke holding 67% and 33% respectively.

Chongqing Xuyi was also established by the founders of Ezbuy in December 2014 in the PRC. Through the contractual arrangements (as described below) among Qianhai Xuyi, Chongqing Xuyi and the respective shareholders of Chongqing Xuyi, Chongqing Xuyi became Ezbuy's VIE and then became the Group's VIE since the Acquisition.

Jiaying Xuyang was established by one of the founders of Ezbuy and one of employees in Qianhai Xuyi in May 2017 in the PRC. Through the contractual arrangements (as described below) among Qianhai Xuyi, Jiaying Xuyang and the respective shareholders of Jiaying Xuyang, Jiaying Xuyang became Ezbuy's VIE and then became the Group's VIE since the Acquisition.

(c) Agreements that provide Lanting Jishi effective control over Lanting Huitong and Lanting Gaochuang and Qianhai Xuyi effective control over Shenzhen Xuyi, Chongqing Xuyi and Jiaying Xuyang (collectively, the "VIEs")

(i) Lanting Jishi

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

Equity disposal agreements: Under the Equity Disposal Agreements entered into among Lanting Jishi, Lanting VIEs, and the shareholders of Lanting 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 Lanting 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 Equity Disposal Agreements are valid for two years and can be extended indefinitely at Lanting Jishi's option. Lanting Jishi has the right to terminate this agreement at any time by giving three days' written notice to other parties.

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 Huitong and Mr. Quji (Alan) Guo, Lanting Huitong extended a loan in the amount of \$41 (RMB255,000) to Mr. Quji (Alan) Guo to be contributed as 51% of the registered capital of Lanting Gaochuang. Under this agreement, Mr. Quji (Alan) Guo agreed that without prior written consent from Lanting Huitong, Lanting Gaochuang might not enter into any transaction that could materially affect its assets, liabilities, interests or operations, and there would be no earnings distribution in any form by Lanting Gaochuang before such loan has been repaid. This loan could only be repaid by transferring all of Mr. Quji (Alan) Guo's equity interest in Lanting Gaochuang to Lanting Huitong or a third party designated by Lanting Huitong, and submitting all proceeds from such transaction to Lanting Huitong. The loan agreement had a term of ten years and will be extended automatically, unless indicated otherwise by Lanting Huitong in writing three months prior to the contract expiration date. In September 2019, Mr. Quji (Alan) Guo made the repayment under this loan agreement which was therefore terminated. Under the loan agreement entered into in July 2019 between Lanting Huitong and Mr. Jian He, Lanting Huitong extended a loan in the amount of RMB255,000 (\$40,492) to Mr. Jian He for his contribution of 51% of the registered capital of Lanting Gaochuang. Under this agreement, Mr. Jian He agreed that without prior written consent from Lanting Huitong, 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. Jian He also agreed that at the request of Lanting Huitong, all or part of the equity interests held in Lanting Gaochuang shall be promptly and unconditionally transferred to Lanting Huitong or a designated third party in accordance with PRC law. This loan can only be repaid by transferring all of Mr. Jian He's equity interest in Lanting Gaochuang to Lanting Huitong or a third party designated by Lanting Huitong and submitting all proceeds from such transaction to Lanting Huitong. The loan agreement has a term of ten years and will be extended automatically, unless indicated otherwise by Lanting Huitong 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, Lanting VIEs, and the shareholders of Lanting VIEs, the registered shareholders of Lanting VIEs and Lanting VIEs agreed that Lanting 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 Lanting VIEs must be Lanting Jishi's nominees. Furthermore, Lanting 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 Lanting VIEs. The business operation agreements will be valid until the liquidation of Lanting 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 Lanting VIEs, Lanting Jishi agreed to provide Lanting 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. Lanting 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 Lanting VIEs, unless terminated earlier at Lanting Jishi's sole discretion.

Share pledge agreements: Under the Share Pledge Agreements entered into among Lanting Jishi, Lanting VIEs, and the shareholders of Lanting VIEs, the registered shareholders of Lanting VIEs pledged all of their respective equity interest in favor of Lanting Jishi to secure Lanting 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 Lanting 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, Guangdong Lianyue Law Firm, has advised us that the pledges on the equity interest of Lanting VIEs were created and effective as such pledges have already been registered with the relevant local branch of the SAIC in accordance with the PRC Property Rights Law.

(ii) *Qianhai Xuyi*

Exclusive technical support and consulting service agreements: Under the Exclusive Technical Support and Consulting Service Agreements entered into between Qianhai Xuyi and Ezbuy VIEs, Qianhai Xuyi agreed to provide Ezbuy VIEs with technology support and consulting services, including the provision of technology platforms required for operations, provision and maintenance of office networks, the conception, configuration, design, updating and maintenance of web pages, employee training, advertisements and other technology services required for the operations. Ezbuy 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 for 10 years unless terminated earlier at Qianhai Xuyi's sole discretion or the liquidation of Ezbuy VIEs.

Powers of attorney: Each registered shareholder of Ezbuy VIEs has executed a power of attorney appointing Qianhai Xuyi or its designee 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 irrevocably effective as long as the registered shareholders remain as shareholders of Ezbuy VIEs.

Exclusive option agreements: Under the Exclusive Option Agreements entered into among Qianhai Xuyi, Ezbuy VIEs, and the shareholders of Ezbuy VIEs, Qianhai Xuyi 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 Ezbuy 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 are valid for two years and can be extended indefinitely at Qianhai Xuyi's option.

Share pledge agreements: Under the Share Pledge Agreements entered into among Qianhai Xuyi, Ezbuy VIEs, and the shareholders of Ezbuy VIEs, the registered shareholders of Ezbuy VIEs pledged all of their respective equity interest in favor of Qianhai Xuyi to secure Ezbuy VIEs and their shareholders' obligations under the various contractual agreements, including the exclusive option agreements and the exclusive technical support and consulting service agreements described above. If Ezbuy VIEs or any of their respective registered shareholders breach any of their respective contractual obligations under these agreements, Qianhai Xuyi, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interest. The registered shareholders of Ezbuy VIEs agreed not to transfer, sell, pledge, dispose of or otherwise create any new encumbrance on their respective equity interest in Ezbuy VIEs, without Lanting Jishi's prior written consent. The share pledge agreements will be valid until Ezbuy VIEs and their shareholders fulfill all contractual obligations under the exclusive option agreements and the exclusive technical support and consulting service agreements. Our PRC counsel, Guangdong Lianyue Law Firm, has advised us that the pledges on the equity interest of Jiaxing Xuyang, Chongqing Xuyi 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 and the pledge on the equity interest of Shenzhen Xuyi was created and in the process of being registered with the relevant local branch of the SAIC in accordance with the PRC Property Rights Law.

Spousal consent letters: Under the spousal consent letters, the spouses of certain shareholders of Ezbuy VIEs acknowledged that a certain percentage of the equity interest in Ezbuy VIEs 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 Qianhai Xuyi, 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.

(d) Risks in relation to VIE structure

The Group believes that pledgees' contractual arrangements with the VIEs are in compliance with the PRC law and are legally enforceable. The shareholders of the VIEs are also shareholders of the Company and therefore have no current interest in seeking to act contrary to the contractual arrangements. However, uncertainties in the PRC legal system could limit the Group's ability to enforce these contractual arrangements and if the shareholders of the VIEs were to reduce their interest in the Company, their interests may diverge from that of the Company and that may potentially increase the risk that they would seek to act contrary to the contractual terms, for example by influencing the VIEs not to pay the service fees when required to do so. The Company's ability to control the VIEs also depends on the power of attorney pledgees have to vote on all matters requiring shareholder approval in the VIEs. As noted above, the Company believes this power of attorney is legally enforceable but may not be as effective as direct equity ownership.

In addition, if the legal structure and contractual arrangements were found to be in violation of any existing PRC laws and regulations, the PRC government could:

- revoke the Group's business and operating licenses;
- require the Group to discontinue or restrict operations;
- restrict the Group's right to collect revenues;
- block the Group's websites;
- require the Group to restructure the operations in such a way as to compel the Group to establish a new enterprise, re-apply for the necessary licenses or relocate their businesses, staff and assets;
- impose additional conditions or requirements with which the Group may not be able to comply; or
- take other regulatory or enforcement actions against the Group that could be harmful to the Group's business.

The imposition of any of these penalties may result in a material and adverse effect on the Group's ability to conduct the Group's business. In addition, if the imposition of any of these penalties causes the Group to lose the rights to direct the activities of the VIEs and its subsidiary or the right to receive their economic benefits, the Group would possibly no longer be able to consolidate the VIEs.

The following consolidated financial information of the Group's VIEs was included in the accompanying consolidated financial statements as of and for the years ended, after elimination of intercompany balances and transactions within the Group:

	December 31,		
	2018	2019	
Total assets	\$	6,492	\$ 9,734
Total liabilities	\$	4,678	\$ 1,147
	Year ended December 31,		
	2017	2018	2019
Revenues	\$ —	\$ 3	\$ 1,054
Net loss	\$ (7,507)	\$ (7,490)	\$ (8,496)
	Year ended December 31,		
	2017	2018	2019
Net cash provided by / (used in) operating activities	\$ 3,073	\$ (7,519)	\$ 1,193
Net cash (used in) / provided by investing activities	\$ (3,069)	\$ 473	\$ (188)
Net cash provided by financing activities	\$ —	\$ —	\$ —

As of December 31, 2019, there was no pledge or collateralization of the consolidated VIEs' assets. None of the consolidated VIEs' assets can only be used to settle the VIEs' obligations. The creditors of the VIEs do not have recourse to the general credit of the Company or its consolidated subsidiaries.

LIGHTINTHEBOX HOLDING CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019
(U.S. dollars in thousands, or otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Group, its subsidiaries, VIEs and the VIE's subsidiary, in which the Company has a controlling financial interest. Equity interests of the Company's subsidiaries that are not owned by the Company are referred to as non-controlling interests. All inter-company transactions and balances between the Company, its subsidiaries, VIEs and subsidiary of the VIE are eliminated upon consolidation.

The financial position and the results of its operations of Ezbuy Holding Co., Ltd, its subsidiaries and its VIE and VIE's subsidiary have been consolidated with the Company beginning on December 10, 2018, the date of acquisition by the Company.

(c) Non-controlling Interests

Non-controlling interests are classified as a separate component of equity / (deficit) in the consolidated balance sheets and consolidated statements of changes in equity / (deficit). Additionally, net loss attributable to non-controlling interests is reflected separately from consolidated net loss in the consolidated statements of operations and comprehensive (loss) / income and changes in equity / (deficit).

The Company records the non-controlling interests' share of income or loss based on the percentage of ownership interest retained by the respective non-controlling interest holders. The net loss attributable to the Company is the total consolidated net loss less the net loss attributable to the non-controlling interests.

(d) Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses in the financial statements and accompanying notes. Actual results may differ from these estimates. The Group bases its estimates on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Significant accounting estimates reflected in the Group's financial statements include provision for accounts receivables, inventory valuation, the useful lives of property, plant and equipment and intangibles with definite lives, impairment of goodwill and long-lived assets, realization of deferred income tax assets, incremental borrowing rates for lease liabilities, impairment of equity investment, the fair value determination and estimated forfeit rates for share-based compensation awards and the fair value determination for convertible promissory notes, the fair value determinations of identifiable assets acquired and liabilities assumed, and sales return and allowance.

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, highly liquid investments and term deposits with an original maturity of three months or less and are readily convertible to known amount of cash.

(f) Restricted cash

Restricted cash consists of cash which is held under the Group's name in an escrow accounts as deposits withheld by third party payment processing agencies and the deposits fluctuate with the volume of payment processed.

Effective January 1, 2018, the Group adopted ASU 2016-18 — Statement of Cash Flows: Restricted Cash retrospectively. Changes in restricted cash is presented in total cash and cash equivalents and restricted cash in the Group's consolidated of cash flows for all the years presented.

(g) Inventories

Inventories represent products available for sale and are accounted for using the first-in-first-out method and specific identification method, and are valued at the lower of cost or net realizable value. Adjustments are recorded to write down the cost of inventory to the net realizable value due to slow-moving merchandise and broken assortments, which are dependent upon factors such as historical trends with similar merchandise, inventory aging, and historical and forecasted consumer demand. Write downs of \$2,065, \$2,456 and reversal of \$458 when sold were recorded in cost of revenues in the consolidated statements of operations for the years ended December 31, 2017, 2018 and 2019, respectively.

(h) Property and equipment, net

Property and equipment, net, resulting from direct purchase, is stated at cost less accumulated depreciation.

Property and equipment, resulting from the acquisitions of entities accounted for using the acquisition method of accounting, are estimated by management based on the fair value of assets acquired at the acquisition date.

Depreciation are calculated on a straight-line basis over the following estimated useful lives:

	Useful lives
Leasehold improvements	Lesser of the lease term or estimated useful life of the assets
Furniture, fixtures and office equipment	0.2 - 5 years
Software and IT equipment	0.1 - 3 years
Vehicles	0.6 - 9 years

(i) Acquired intangible assets, net

Intangible assets, other than goodwill, resulting from the acquisitions of entities accounted for using the acquisition method of accounting are estimated by management based on the fair value of assets acquired at the acquisition date.

Identifiable intangible assets are carried at cost less accumulated amortization. Amortization of the intangible assets with definite life are computed using the straight-line method over the estimated useful lives.

	Useful lives
Domain name/Trade name	Indefinite life
Technology	3-5 years
Members	4 years
Branding	10 years
In-progress orders	0.1 year

(j) Long-term investments

The Group's long-term investments consist of equity investment without readily determinable fair value and equity method investment.

Equity investments without readily determinable fair value

Prior to adopting ASU 2016-01 *Financial Instruments-Overall : Recognition and Measurement of Financial Assets and Financial Liabilities*, on January 1, 2018, investment in an entity where the Group does not have readily determinable fair value and the Group does not have significant influence, is accounted for using the cost method. The Group only adjusts for other-than-temporary declines in fair value and distributions of earnings that exceed the Group's share of earnings since its investment.

Management regularly evaluated the impairment of the cost method investments based on performance and financial position of the investee as well as other evidence of market value. Such evaluation included, but was not limited to, reviewing the investee's cash position, recent financing, projected and historical financial performance, cash flow forecasts and financing needs. The Group did not record any impairment loss on its cost method investment during the year ended December 31, 2017.

Subsequent to the Group's adoption of ASU 2016-01 on January 1, 2018, equity investments, except for those accounted for under the equity method, those that result in consolidation of the investee and certain other investments, are measured at fair value, and any changes in fair value are recognized in earnings. For equity securities without readily determinable fair value and do not qualify for the existing practical expedient in Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurements and Disclosures ("ASC 820") to estimate fair value using the net asset value per share (or its equivalent) of the investment, the Company elected to use the measurement alternative to measure those investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any.

Pursuant to ASU 2016-01, for equity investments measured at fair value with changes in fair value recorded in earnings, the Company does not assess whether those securities are impaired. For those equity investments that the Company elects to use the measurement alternative, the Company makes a qualitative assessment of whether the investment is impaired at each reporting date. If a qualitative assessment indicates that the investment is impaired, the entity has to estimate the investment's fair value in accordance with the principles of ASC 820. If the fair value is less than the investment's carrying value, the entity has to recognize an impairment loss in net (loss) / income equal to the difference between the carrying value and fair value. The Group did not record any impairment loss on its equity investment without readily determinable fair value during the years ended December 31, 2018 and 2019.

Equity method investment

Investment in an entity where the Group can exercise significant influence, but not control, is accounted for using the equity method. Whether or not the Group can exercise significant influence with respect to an equity investee depends on an evaluation of several factors including, among others, the Group's representation on the investee's board of directors and ownership level, which is generally a 20% to 50% interest in the voting securities of the investee. Under the equity method, the investment is initially recorded at cost and adjusted for the Group's share of undistributed earnings or losses of the investee.

The management regularly evaluates the impairment of the equity investment based on performance and the financial position of the investee as well as other evidence of market value. Such evaluation includes, but is not limited to, reviewing the investee's cash position, recent financings, projected and historical financial performance, cash flow forecasts and financing needs. An impairment charge is recorded when the carrying amount of the investment exceeds its fair value and this condition is determined to be other-than-temporary. The Group did not record any impairment loss on its equity method investment during the years ended December 31, 2017, 2018 and 2019.

(k) Impairment of long-lived assets and intangible assets with definite life

Long-lived assets, such as property and equipment and definite-lived intangible assets, are stated at cost less accumulated depreciation or amortization.

The Group evaluates the recoverability of long-lived assets, including identifiable intangible assets with determinable useful lives, whenever events or changes in circumstances indicate that a long-lived asset's carrying amount may not be recoverable. The Group measures the carrying amount of long-lived asset against the estimated undiscounted future cash flows associated with it. Impairment exists when the sum of the expected future net cash flows is less than the carrying value of the asset being evaluated. Impairment loss is calculated as the amount by which the carrying value of the asset exceeds its fair value. Fair value is estimated based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Group to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts.

(l) Impairment of goodwill and indefinite-lived intangible assets

Goodwill and intangible assets deemed to have indefinite useful lives are not amortized, but tested for impairment annually as of December 31 or more frequently if event and circumstances indicate that they might be impaired.

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. ASC 350-20, *Goodwill*, permits the Group to first assess qualitative factors to determine whether it is "more likely than not" that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the quantitative impairment test, using a two - step approach. If this is the case, the two-step goodwill impairment test is required. If it is more likely-than-not that the fair value of a reporting unit is greater than its carrying amount, the two-step goodwill impairment test is not required.

If the two-step goodwill impairment test is required, the first step compares the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill is not considered 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 the affected reporting unit's goodwill to the carrying value of that goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process is only performed for purposes of evaluating goodwill impairment and does not result in an entry to adjust the value of any assets or liabilities. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. In estimating the fair value of each reporting unit the Group estimates the future cash flows of each reporting unit, the Group has taken into consideration the overall and industry economic conditions and trends, market risk of the Group and historical information.

An intangible asset that is not subject to amortization is tested for impairment at least annually or if events or changes in circumstances indicate that the asset might be impaired. Such impairment test compares 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.

(m) Business combinations

The Company accounts for its business combinations using the purchase method of accounting in accordance with ASC Topic 805, Business Combinations. The purchase method of accounting requires that the consideration transferred to be allocated to the assets, including separately identifiable assets and liabilities the Company acquired, based on their estimated fair values. The consideration transferred in an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity and debt instruments issued as well as the contingent considerations as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total of cost of acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in earnings.

(n) Treasury shares, at cost

Treasury shares represent shares of the Company's stock that have been issued, repurchased by the Company, and that have not been retired or canceled. These shares have no voting rights and are not entitled to receive dividends and are excluded from the weighted average outstanding shares in calculation of net income per share. Treasury shares are recorded at cost.

(o) Revenue recognition

The Group recognizes revenue (i) from product sales of apparel and other general merchandise through its websites and other online platforms, and (ii) from logistic services to small businesses in China and also globally to individual customers.

Periods prior to January 1, 2018

Product sales

The Group recognizes revenue from the sale of apparel and other general merchandise through its websites and other online platforms.

Prior to January 1, 2018, the Group recognizes revenue when the following four revenue recognition criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the selling price is fixed or determinable, and (iv) collectability is reasonably assured.

Revenue is stated net of value added tax ("VAT"), discounts and return allowances.

The Group defers the recognition of revenue and the related product costs for shipments that are in-transit to the customer. Payments received in advance of delivery are classified as advances from customers. The Group recognizes the revenue at the time the customers receive the products even for international shipment. Amounts collected by delivery service providers but not remitted to the Group are classified as accounts receivable on the consolidated balance sheets.

Certain employees of the Group register in supplemental online outlets under their own name as these websites require registration using identity cards of individuals to sell the Group's product on behalf of the Group. The Group has contractual arrangements with these employees which require them to transfer customers' payments received to the Group for the sale of the products. The Group evaluates the sales transactions performed by these employees on behalf of the Group to determine whether to recognize the revenues on a gross or net basis. The determination is based upon an assessment as to whether the Group acts as a principal or agent when selling the products. All of the revenues involving employees performing sales transactions on the supplemental online outlets on behalf of the Group are currently accounted for on a gross basis since the Group is the primary obligor, has general and physical inventory risk, latitude in establishing prices, discretion in supplier selection and credit risks. Such sales transactions ceased in the year ended December 31, 2018.

In arrangements whereby certain suppliers place the products at the Group's premises, the risk and rewards of ownership of the products passed to the Group upon confirmation of orders by the Group's customers. All of the revenues involving these arrangement are accounted for on a gross basis since the Group is the primary obligor, has physical inventory risk, latitude in establishing prices, discretion in supplier selection and credit risks.

The Group periodically provides incentive offers to its customers to encourage purchases. Current discount offers, when accepted by its customers, are treated as a reduction to the purchase price of the related transaction and are included as a net amount in revenue. The Group also provides discount reward, which may only be used in the future, to customers who have made a current purchase. As the right of receiving future discount does not represent a significant and incremental discount to the customer, the discount is treated as a reduction of revenue when the future transaction takes place.

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

The Group allows customers to return goods within a period of time subsequent to the delivery of the goods purchased. The Group changed its sales return policy to offer returns for items in 2017 from 30 days to 14 days of receipt of shipment. The Group estimates return allowance based on historical experience. The estimation of return allowances is adjusted to the extent that actual returns differ, or are expected to differ. Changes in the estimated return allowance are recognized through a cumulative catch-up adjustment in the period of change and will impact the amount of revenues in that period.

Outbound shipping charges to customers are included as a part of the revenues. Outbound shipping-related costs are included in the cost of product sales.

Prior to January 1, 2018, VAT on sales is calculated at 17% on revenue from sale of products in the PRC and paid after deducting input-VAT on purchases. The net VAT balance between input-VAT and output-VAT is reflected in the consolidated financial statement as prepaid expenses and other current assets or accrued expenses and other current liabilities.

Service

The Group derive services revenue mainly from provision of logistic services to small businesses in China and also globally to individual customers. Prior to January 1, 2018, service revenue is recognized when persuasive evidence of an arrangement exists, service has been performed, the fee is fixed or determinable and collectability is reasonably assured. Revenue for logistic services are recognized when the packages are delivered to the recipients.

Period commencing January 1, 2018

The Group adopted Accounting Standards Update (or ASU) 2014-09 - Revenue from Contracts with Customers on January 1, 2018. The Company applied ASU 2014-09 using the modified retrospective method for contracts which were not completed at the date of initial adoption. Results for reporting periods beginning after January 1, 2018 are presented under the new revenue recognition, while prior period amounts were not adjusted and continue to be reported in accordance with ASC 605, Revenue Recognition.

Since the adoption of Accounting Standards Update (or ASU) 2014-09 - Revenue from Contracts with Customers, starting from January 1, 2018, the Group recognizes revenues upon the satisfaction of its performance obligation (upon transfer of control of promised goods or services to customers) in amounts that reflects the consideration to which the Group expects to be entitled to in exchange for those goods or services, excluding amounts collected on behalf of third parties (for example, value added taxes). For each performance obligation satisfied over time, the Group recognizes revenue over time by measuring the progress toward complete satisfaction of that performance obligation. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The adoption of new revenue standard did not impact retained earnings as of January 1, 2018.

Product sales

The Group identified one performance obligation which is to sell products to customers through its websites and other online platforms. Revenues of product sales are recognized on a gross basis and presented as product sales on the consolidated statements of operations, because (i) the Group is primarily responsible for fulfilling the promise to provide the specified products; (ii) the Group bears the physical and general inventory risk once the products are delivered to its warehouses; (iii) the Group has discretion in establishing price.

The Group established a membership program whereby a registered member earns certain points for visiting one of the Group's websites. Points could only be redeemed in connection with a future purchase. Such points, when redeemed, were treated as reduction of revenues at the time of future purchase. Since the points were earned not based on past sales transactions, no accruals were made at the time when earned by the registered members.

Included in our product sales, prime membership revenues are amortized over the membership period with straight-line method. Prime is a subscription based membership programme. Items purchased from Prime shop enjoy flat international shipping per checkout.

Product sales, net of discounts, return allowance and VAT, are recognized at the point in time when customers accept the products upon delivery. Revenues are measured as the amount of consideration the Group expects to receive in exchange for transferring products to consumers. Return allowance, which reduce revenues, are estimated utilizing the expected value method based on historical experience of return. In 2018 the Group allowed customers to return the goods with no quality-related issues within 14 days of receipt of shipment, and subsequently changed to 7 days in 2019. The Group allows customers to return most of goods with quality-related issues within 30 days of receipt of shipment, and to return lamps and faucets with quality-related issues within 12 months. Liabilities for return allowance are included in "Accrued expenses and other current liabilities" and were \$1,336 and \$381 as of December 31, 2018 and 2019.

The Group utilizes delivery service providers to deliver products to its consumers ("shipping activities") but the delivery service is not considered as a separate obligation as the shipping activities are performed before the consumers obtain control of the products. Therefore, shipping activities are not considered a separate promised service to the consumers but rather are activities to fulfill the Group's promise to transfer the products. Outbound shipping charges to customers are included as a part of the revenues and outbound shipping-related costs are recorded as cost of product sales. Shipping costs incurred for sales of products and recognized as cost of product sales were \$60,131, \$51,731 and \$36,691 for the years ended December 31, 2017, 2018 and 2019, respectively.

Services and others

The Group derives services revenues mainly from provision of logistic services to small businesses in China and also globally to individual customers and from provision of systems and technical services. Revenues from logistic services are recognized over the delivery period since the customers simultaneously receive and consume benefits provided by the Group's performance as the Group performs during the delivery period. Revenues from provision of systems and technical services are recognized upon completion of services and provision of systems.

(p) Contract Balances

Timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable represents amounts invoiced and revenue recognized prior to invoicing when the Group has satisfied its performance obligation and has the unconditional right to payment. For the years ended December 31, 2017 and 2018, accounts receivable consisted of accounts receivable for logistic services, accounts receivable for cash collected by the delivery service providers on behalf of the Group and accounts receivable for cash collected by supplemental online outlets. For the year ended December 31, 2019, accounts receivable included receivables due from B2B partners and cash collected by supplemental online outlets. The Group considers many factors in assessing the collectability of its accounts receivable, such as the age of the amounts due, the customer's payment history, creditworthiness, financial conditions of the customers and industry trend. An allowance for doubtful accounts is recorded in the period in which a loss is determined to be probable. As of December 31, 2018 and 2019, the allowance of doubtful accounts was \$533 and \$1,418, respectively.

A contract liability is recognized when the Group has an obligation to transfer goods or services to a customer for which the Group has received consideration from the customer, or for which an amount of consideration is due, from the customer. It is included in advance from customers on the consolidated balance sheets.

Changes in the Group's contract liability are presented in the following table for the years ended December 31, 2018 and 2019:

	For the year ended	
	December 31, 2018	December 31, 2019
Contract liability as of January 1	\$ 5,248	10,246
Cash received in advance, net of VAT	199,899	240,460
Revenue recognized from opening balance of contract liability	(5,248)	(10,246)
Revenue recognized from contract liability arising during current year	(189,653)	(226,130)
Contract liability as of December 31	\$ 10,246	14,330

The Company has elected the practical expedient not to disclose the information about remaining performance obligations which are part of contracts that have an original expected duration of one year or less.

(q) Cost of revenues*Product sales*

Cost of goods sold primarily consists of the purchase price of consumer products sold by the Group on its websites, inbound and outbound shipping charges, packaging supplies and inventory write-down. Shipping charges to receive products from its suppliers are included in inventory cost, and recognized as cost of sales upon sale of products to customers.

Services

Cost of services primarily consists of the shipping charges and cost of packaging supplies directly incurred relating to logistic services. Shipping charges are recognized as cost of revenues over the delivery period when the goods are delivered to destination.

(r) Fulfillment

Fulfillment costs represent those costs incurred in operating and staffing the Group's fulfillment 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.

(s) Selling and marketing

Selling and marketing expenses consist primarily of search engine marketing and advertising, affiliate market program expenditure, public relations expenditures; and payroll and related expenses for personnel engaged in selling, marketing and business development. The Group pays to use certain relevant key words relating to its business on major search engines and the fee is on a "cost-per-click" basis. The Group also pays commissions to participants in its affiliate program when customer referrals result in product sales, and the Group classifies such costs as selling and marketing expenses in the consolidated statements of operations. Advertising expense includes fees paid to on-line advertisers who assist the Group to advertise at targeted websites. Such fees are paid at fixed rate or calculated based on volume directed to the Group's website. The advertising expenses for the years ended December 31, 2017, 2018 and 2019 were \$62,767, \$43,308 and \$41,975, respectively.

(t) General and administrative

General and administrative expenses consist of payroll and related expenses for employees involved in general corporate functions such as accounting, finance, tax, legal, and human resources; costs associated with the use by these functions of facilities and equipment, such as depreciation expense and rent; professional fees and other general corporate costs. Also included in general and administrative expenses are payroll and related expenses for employees involved in product research and development, and systems support, as well as server charges and costs associated with telecommunications. The research and development expenses for the years ended December 31, 2017, 2018 and 2019 were \$5,207, \$5,694 and \$17,871, respectively.

General and administrative expenses also include credit losses relating to fraudulent credit card activities which resulted in chargebacks from the payment processing agencies. The Group estimates chargebacks based on historical experience. The estimation of chargebacks is adjusted to the extent that actual chargebacks differ, or are expected to differ. The chargeback expenses for the years ended December 31, 2017, 2018 and 2019 were \$2,929, \$2,938 and \$1,836, respectively.

(u) Fair value

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

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

- Level 1-inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2-inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3-inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

(v) Financial instruments and fair value measurements

Financial instruments of the Group primarily consist of cash and cash equivalents, restricted cash, accounts receivable, receivable from payment processing agencies, amounts due from related parties, long-term investments, long-term rental deposits, accounts payable, amounts due to related parties, convertible promissory notes, advance from customers, accrued expenses and other current liabilities and long-term payable.

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, receivable from payment processing agencies, accounts payable, amounts due to related parties, deposit liability consist of advance from customers and accrued expenses and other current liabilities as of December 31, 2018 and 2019 approximate their fair values due to short-term maturities.

The Group no longer uses the cost method of accounting for long-term investments as it was applied before, since the Group adopted the ASU 2016-01 *Financial Instruments-Overall : Recognition and Measurement of Financial Assets and Financial Liabilities*, since January 1, 2018. After management's assessment of each of the equity investments except that accounted for under the equity method described in Note 9, management concluded that investment does not have readily determinable fair value, and elected the measurement alternative.

The Group measures convertible promissory notes at fair value on a recurring basis. Convertible promissory notes being recognized in its entirety at fair value were measured at fair value using unobservable inputs. It is categorized in Level 3 of the fair value hierarchy.

The carrying amount of long-term payable approximates fair value as the related interest rates approximate rates currently offered by financial institutions for similar debt instruments of comparable maturities, and the Group discloses the fair value of its long-term payable based on Level 2 inputs in Note 8.

Goodwill, long-term investments and other intangible assets are measured at fair value on a nonrecurring basis when impairment is recognized. The Group estimated the fair value of a reporting unit using the discounted cash flow method under the income approach. The discounted cash flows were based on five years financial forecasts developed by management for planning purposes and estimated discount rates. Cash flows beyond the forecasted period were estimated using a terminal value calculation. The fair values of intangible asset were determined based on various valuation methods, including the replacement cost method, the relief from royalty method and the excess earning method.

The following table present the fair value hierarchy for the liabilities measured at fair value on a recurring basis at December 31, 2018:

Liabilities:	December 31, 2018			Total Fair Value
	Level 1	Level 2	Level 3	
Convertible promissory notes	\$ —	\$ —	\$ 51,922	\$ 51,922

(w) Foreign currency translation

The Company's functional currency is the U.S. dollar ("US\$"). The Company's subsidiaries, VIEs and its VIEs' subsidiary determine their functional currencies based on the criteria of ASC topic 830, Foreign Currency Matters.

Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than the functional currency during the year are converted into functional currency at the applicable rates of exchange prevailing when the transactions occurred. Transaction gains and losses are recognized in the consolidated statements of operations.

The Group's entities with functional currency of Renminbi ("RMB"), Euro ("EUR"), Singapore Dollar ("SGD"), Malaysian Ringgit ("RM"), Thailand Baht ("THB") and Indonesian Rupiah ("IDR"), translate their operating results and financial position into the US\$, the Group's reporting currency. Assets and liabilities are translated using the exchange rates in effect on the balance sheet date. Revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component of other comprehensive loss.

(x) Income taxes

Income taxes are provided using the asset and liability method. Under this method, deferred income taxes are recognized for tax credits and net operating losses available for carry forwards and significant temporary differences. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws and regulations applicable to the Group as enacted by the relevant tax authorities.

The impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes. The Group did not recognize any income tax due to uncertain tax position or incur any interest and penalties related to potential underpaid income tax expenses for the years ended December 31, 2017, 2018 or 2019, respectively.

The Company applies the provisions of ASC Topic 740, Income Taxes (“ASC 740”), in accounting for uncertainty in income taxes. ASC 740 clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. The Company has elected to classify interest and penalties related to an uncertain tax position, if and when required as part of income tax expense in the consolidated statements of comprehensive income / (loss).

(y) Comprehensive loss

Comprehensive loss includes net loss and foreign currency translation adjustments and is reported in the consolidated statements of comprehensive loss.

(z) Share-based compensation

Share-based payment transactions with employees, such as share options are measured based on the grant date fair value of the equity instrument. The Group has elected to recognize compensation expense using the straight-line method for all employee equity awards granted with graded vesting provided that the amount of compensation cost recognized at any date is at least equal to the portion of the grant-date value of the options that are vested at that date, over the requisite service period of the award, which is generally the vesting period of the award. The estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change and will also impact the amount of share-based compensation expense to be recognized in future periods.

Changes in the terms or conditions of share options are accounted as a modification under which the Group calculate whether there is any excess of the fair value of the modified option over the fair value of the original option immediately before its terms are modified, measured based on the share price and other pertinent factors at the modification date. For vested options, the Group recognizes incremental compensation cost in the period of the modification occurred and for unvested options, the Group recognizes, over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date.

(aa) Leases

On January 1, 2019, the Group adopted Accounting Standards Update (“ASU”) No. 2016-02 (“ASU 2016-02”), Leases (Topic 842), using the modified retrospective transition method and elected the transition option to use an effective date of January 1, 2019 as the date of initial application. As a result, the comparative periods were not restated.

The Group has elected the package of practical expedients permitted which allows the Group not to reassess the following at adoption date: (i) whether any expired or existing contracts are or contains a lease, (ii) the lease classification for any expired or existing leases, and (iii) initial direct costs for any expired or existing leases (i.e. whether those costs qualify for capitalization under ASU 2016-02). The Group also elected the short-term lease exemption for certain classes of underlying assets including office space, warehouses and server rental, with lease term of 12 months or less. For lease arrangement with lease and non-lease components, the Group made the policy election to combine the lease and non-lease components as one-single component under Topic 842.

The Group’s accounting policy effective on the adoption date of ASU 2016-02 is as follows:

Leases are classified at the inception date as either a finance lease or an operating lease.

The Group classifies a lease as a finance lease when the lease meets any one of the following criteria at lease commencement:

- a. The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
- b. The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.
- c. The lease term is for a major part of the remaining economic life of the underlying asset.
- d. The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments equals or exceeds substantially all of the fair value of the underlying asset.
- e. The underlying asset is of such a specialized nature that it is expected to have no alternative use to the Company at the end of the lease term.

For both operating and financing leases, the Group records a lease liability and corresponding right-of-use (ROU) asset at lease commencement. Lease terms are based on the non-cancellable term of the lease and may contain options to extend the lease when it is reasonably certain that the Group will exercise the option. Lease liabilities represent the present value of the lease payments not yet paid, discounted using the discount rate for the lease at lease commencement.

The Group estimates its incremental borrowing rate for its leases at the commencement date to determine the present value of future lease payments when the implicit rate is not readily determinable in the lease. In estimating its incremental borrowing rate, the Group considers its credit rating and publicly available data of borrowing rates for loans of similar amount, currency and term as the lease.

Operating leases are presented as “Operating lease ROU assets” and “Operating lease liabilities”. Lease liabilities that become due within one year of the balance sheet date are classified as current liabilities. At lease commencement, operating lease ROU assets represent the right to use underlying assets for their respective lease terms and are recognized at amounts equal to the lease liabilities adjusted for any lease payments made prior to the lease commencement date, less any lease incentives received and any initial direct costs incurred by the Group.

After lease commencement, operating lease liabilities are measured at the present value of the remaining lease payments using the discount rate determined at lease commencement. Operating lease ROU assets are measured at the amount of the lease liabilities and further adjusted for prepaid or accrued lease payments, the remaining balance of any lease incentives received, unamortized initial direct costs and impairment of the ROU assets, if any. Operating lease expense is recognized as a single cost on a straight-line basis over the lease term.

Financing lease ROU assets are included in “property and equipment” and “long-term payable” on the consolidated balance sheet. Lease liabilities that become due within one year of the balance sheet date are classified as current liabilities. Financing lease ROU assets are amortized on a straight-line basis from the lease commencement date. After initial measurement, the carrying value of the lease liability is increased to reflect interest at a constant rate and reduced to reflect any lease payments made during the period.

Leases that have a term of 12 months or less at the commencement date (“short-term leases”) are not included in operating lease ROU assets and operating lease liabilities. Lease expense for the short-term leases are recognized on a straight-line basis over the lease term.

The cumulative effects of the changes made to the Group’s consolidated balance sheet as of January 1, 2019 for the adoption of ASU 2016-02 are as follows:

	Balance as of December 31, 2018	Adjustments due to the adoption of ASU 2016-02	Balance as of January 1, 2019
Assets:			
Prepaid expenses and other current assets	5,811	(257)	5,554
Operating lease right-of-use assets	—	6,263	6,263
Liabilities:			
Operating lease liabilities (current)	—	3,752	3,752
Operating lease liabilities (non-current)	—	2,360	2,360
Accrued expenses and other current liabilities	22,688	(106)	22,582

The impact of adopting ASU 2016-02 on the Group’s consolidated balance sheet as of December 31, 2019 are as follows:

	Legacy GAAP	Effect of the adoption of ASU 2016-02 Higher/(lower)	Balance as of December 31, 2019
Assets:			
Prepaid expenses and other current assets	4,141	(522)	3,619
Operating lease right-of-use assets	—	12,233	12,233
Liabilities:			
Operating lease liabilities (current)	—	3,470	3,470
Operating lease liabilities (non-current)	—	8,801	8,801
Accrued expenses and other current liabilities	29,202	(560)	28,642

The adoption of the standard did not have significant impact the Group’s consolidated statements of comprehensive (loss) / income or cash flows.

(bb) Earnings / (loss) per share

Basic earnings / (loss) per ordinary share is computed by dividing net income / (loss) attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the period.

Diluted earnings per ordinary share reflects the potential dilution that could occur if securities were exercised or converted into ordinary shares and is calculated by dividing net income attributable to ordinary shareholders by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the year. Ordinary equivalent shares consist of shares issuable upon convertible promissory notes using the if-converted method, and ordinary shares issuable upon the vest of nonvested shares or exercise of outstanding share options (using the treasury stock method). Ordinary equivalent shares are calculated based on the most advantageous conversion rate or exercise price from the standpoint of the security holder. Ordinary equivalent shares are not included in the denominator of the diluted loss per share calculation when inclusion of such shares would be anti-dilutive.

(cc) Significant risks and uncertainties

The Group participates in an industry with rapid changes in regulations, customer demand and competition and believes that changes in any of the following areas could have a material adverse effect on the Group's future financial position, results of operations, or cash flows: advances and trends in e-commerce industry; changes in certain supplier and vendor relationships; regulatory or other PRC related factors; and risks associated with the Group's ability to keep and increase the market coverage.

(dd) Concentration of credit risk

Financial instruments that potentially expose the Group to concentrations of credit risk consist primarily of cash, cash equivalents and restricted cash, accounts receivable, advances to suppliers, receivable from reputable payment processing agencies with high-credit ratings and long-term rental deposits. The Group places its cash and cash equivalents and restricted cash with financial institutions and third-party payment processing agencies located in the PRC, Hong Kong, United States, Netherland, Singapore, Malaysia, Thailand and Indonesia. In the event of bankruptcy of one of these financial institutions and third-party payment processing agencies, the Group may not be able to claim its cash and demand deposits back in full. The Group continues to monitor the financial strength of the financial institutions and third-party payment processing agencies. There has been no recent history of default in relation to these financial institutions and third-party payment processing agencies. For the years ended December 31, 2017 and 2018, accounts receivable primarily comprised amounts receivable from supplemental online outlets and amounts receivable from product delivery service providers. These amounts are collected from customers by the supplemental online outlets and the product delivery service providers. For the year ended December 31, 2019, accounts receivable also included receivables due from B2B partners. With respect to advances to product suppliers and long-term rental deposits, the Group performs on-going credit evaluations of the financial condition of its vendors. Receivable from payment processing agencies represented cash that had been received from customers but held by the payment processing agencies in the process of reconciliation and are collected by the Group subsequent to the year end.

(ee) Foreign currency risk

The RMB is not a freely convertible currency. The PRC State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into foreign currencies. The value of the RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China foreign exchange trading system market. The Group's cash and cash equivalents and restricted cash denominated in RMB amounted to \$ 4,368 and \$ 3,952 at December 31, 2018 and 2019, respectively.

(ff) Recent accounting pronouncements not yet adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326) : Measurement of Credit Losses on Financial Instruments* and subsequently in November 2018, ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments — Credit Losses*. The ASUs amend the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. In addition, these amendments require the measurement of all expected credit losses for financial assets, including trade accounts receivable, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This guidance and related amendments is effective for annual reporting periods beginning after December 15, 2019, including interim periods therein. Early application is permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Group is currently assessing the impact this guidance will have on its consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-04: *Intangibles—Goodwill and Other (Topic 350) : Simplifying the Test for Goodwill Impairment*. To simplify the subsequent measurement of goodwill, the Board eliminated Step 2 from the goodwill impairment test. Under the amendments in this Update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity should apply the amendments in this Update on a prospective basis. An entity is required to disclose the nature of and reason for the change in accounting principle upon transition. A public business entity should adopt the amendments in this Update for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The Group is evaluating the effect that adoption of this guidance will have on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement to ASC Topic 820, Fair Value Measurement (“ASC 820”)*. ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying, and/or adding certain disclosures. ASU 2018-13 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2019. An entity is permitted to early adopt by modifying existing disclosures and delay adoption of the additional disclosures until the effective date. The Group is evaluating the effect that adoption of this guidance will have on its consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This update simplifies the accounting for income taxes as part of the FASB's overall initiative to reduce complexity in accounting standards. The amendments include removal of certain exceptions to the general principles of ASC 740, *Income taxes*, and simplification in several other areas such as accounting for a franchise tax (or similar tax) that is partially based on income. The update is effective in fiscal years beginning after December 15, 2020, and interim periods therein, and early adoption is permitted. Certain amendments in this update should be applied retrospectively or modified retrospectively, all other amendments should be applied prospectively. The Group is evaluating the effect that adoption of this guidance will have on its consolidated financial statements and related disclosures.

3. ACQUISITION

On November 8, 2018, the Company entered into a Share Purchase Agreement (“SPA”) with Ezbuy and the original shareholders of Ezbuy to acquire 100% of the issued share capital (voting equity interest) of Ezbuy by issuing convertible promissory notes. Before the acquisition, 80% equity interest of three subsidiaries of Ezbuy was owned by the original shareholders and 20% by a third party.

The Company completed the acquisition on December 10, 2018 (the “acquisition date”). The purchase consideration was \$29,131, which was deemed to be the fair value of the convertible promissory notes as of the acquisition date.

The transaction was accounted for under the acquisition method of accounting in accordance with ASC Topic 805, Business Combinations. The results of Ezbuy’s operations have been included in the Group’s consolidated financial statements since December 11, 2018. For the year ended December 31, 2018, revenues and net income from Ezbuy included in the Group’s consolidated financial statements were \$6,785 and \$365, respectively.

The following table presents the amounts recognized for assets acquired and liabilities assumed for Ezbuy as of the acquisition date. The non-controlling interests represents the fair value of the 20% equity interest of the three subsidiaries of Ezbuy, which is not held by Ezbuy:

	As of December 10, 2018	
Cash and cash equivalents	\$	3,683
Accounts receivable		35
Inventories		4,694
Prepaid expenses and other current assets		1,418
Property and equipment, net		2,982
Intangible assets, net		9,895
Long-term rental deposits		400
Accounts payable		(6,601)
Advance from customers		(9,734)
Accrued expenses and other current liabilities		(3,954)
Long-term payable		(1,170)
Fair value of non-controlling interest		4
Goodwill		27,479
Total purchase consideration	\$	29,131

The intangible assets consist of technology, branding and in-progress orders. The fair values of technology of \$2,891, branding of \$6,813 and in-progress orders of \$191 are amortized over 5 years, 10 years and 0.1 year, respectively on a straight line basis. Total amortization expense of these intangible assets were \$298 and \$1,264 for the years ended December 31, 2018 and 2019, respectively.

The Group engaged a third-party valuation firm to assist with the valuation of assets acquired, liabilities assumed and convertible promissory notes issued in this business combination. The goodwill resulting from the acquisition primarily attributed to the synergies and economic scale anticipated to be achieved from combining the operations of the Company and Ezbuy, and the assigned assembled workforce. None of the goodwill is expected to be deductible for income tax purpose.

For the purpose of impairment testing, goodwill is allocated to the product sales reporting unit that is expected to benefit from the combination. The Company performed the qualitative assessment as of December 31, 2019 having evaluated all relevant factors including, but not limited to, macroeconomic conditions, industry and market conditions, financial performance, and the share price of the Company. The Company weighed all factors in their entirety and concluded that it was not more-likely-than-not the fair value of the reporting unit was less than its carrying amount, thus further impairment testing on goodwill was unnecessary.

The following unaudited pro forma consolidated financial information for the year ended December 31, 2018 are presented as if the acquisition had been consummated on January 1, 2017 after giving effect to purchase accounting adjustments.

Unaudited pro forma consolidated statements of comprehensive loss for the year ended December 31, 2018:

	Pro Forma - Unaudited	
	Year Ended December 31,	
	2017	2018
Revenues	\$ 477,326	\$ 337,695
Net loss	\$ 21,593	\$ 70,884

The unaudited pro forma consolidated financial information was prepared in accordance with existing standards and is not necessarily indicative of the results of operations that would have occurred if the acquisition had been completed on the date indicated, nor is it indicative of the future operating results of the Group.

The unaudited pro forma results do not reflect events that either have occurred or may occur after the acquisition, including, but not limited to, the anticipated realization of ongoing savings from operating synergies in subsequent periods. They also do not give effect to certain charges that the Company incurred in connection with the acquisition, including, but not limited to, additional professional fees, employee integration, retention and severance costs, potential asset impairments, or product rationalization charges.

4. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Components of other current assets which are included in the prepaid expenses and other current assets are as follows:

	As of December 31,	
	2018	2019
Receivable from payment processing agencies (1)	\$ 1,386	\$ 217
Prepayment to suppliers	838	967
Rental deposits and prepaid rents	268	680
Deferred expense	686	350
Others	2,633	1,405
Total	\$ 5,811	\$ 3,619

(1) Receivables from payment processing agencies represented cash that had been received from customers but held by the payment processing agencies in the process of reconciliation as of December 31, 2018 and 2019. The receivables were collected by the Group subsequent to the respective year end.

5. PROPERTY AND EQUIPMENT, NET

The components of property and equipment are as follows:

	As of December 31,	
	2018	2019
Leasehold improvements	\$ 3,688	3,684
Furniture, fixtures and office equipment	2,852	2,739
Software and IT equipment	2,736	2,438
Vehicles	1,760	1,698
Property and equipment, gross	11,036	10,559
Less: Accumulated depreciation	(7,384)	(7,057)
Property and equipment, net	\$ 3,652	3,502

Depreciation expenses incurred for the years ended December 31, 2017, 2018 and 2019 are \$764, \$572 and \$1,254, respectively.

6. GOODWILL

On December 10, 2018, the Group acquired Ezbuy and the acquired assets were recorded at fair value at the date of acquisition, including goodwill of \$27,479. See Note 3 for details of acquisition of Ezbuy.

All goodwill are allocated to the product sales segment.

The changes in the carrying amount of goodwill for the years ended December 31, 2018 and 2019, are as follows:

	Ador Inc	Ezbuy	Total
Balance at January 1, 2018			
Goodwill	\$ 690	\$ —	\$ 690
Accumulated impairment loss	—	—	—
	<u>\$ 690</u>	<u>\$ —</u>	<u>\$ 690</u>
Goodwill acquired during the year	—	27,479	27,479
Impairment loss	—	—	—
Balance at December 31, 2018			
Goodwill	\$ 690	\$ 27,479	\$ 28,169
Accumulated impairment loss	—	—	—
	<u>\$ 690</u>	<u>\$ 27,479</u>	<u>\$ 28,169</u>
Effect of exchange rate changes on goodwill	—	(247)	(247)
Impairment loss	—	—	—
Balance at December 31, 2019			
Goodwill	\$ 690	\$ 27,232	\$ 27,922
Accumulated impairment loss	—	—	—
	<u>\$ 690</u>	<u>\$ 27,232</u>	<u>\$ 27,922</u>

7. ACQUIRED INTANGIBLE ASSETS, NET

The Group's intangible assets, presented in the following table, arose from the acquisition of Shanghai Ouku on May 24, 2010, the acquisition of the fashion-focused site business from Ador Inc. on December 31, 2013 and the acquisition of Ezbuy on December 10, 2018.

	December 31, 2018				December 31, 2019			
	Gross carrying amount	Accumulated amortization	Accumulated impairment loss	Net carrying amount	Gross carrying amount	Accumulated amortization	Accumulated impairment loss	Net carrying amount
Intangible assets not subject to amortization:								
Trademark/Domain Name	\$ 1,220	\$ —	\$ (1,010)	\$ 210	\$ 1,220	\$ —	\$ (1,010)	\$ 210
Intangible assets subject to amortization:								
- Technology Platform	90	(90)	—	—	90	(90)	—	—
- Non-compete Agreement	9	(7)	(2)	—	9	(7)	(2)	—
- Customer Base	32	(22)	(10)	—	32	(22)	(10)	—
- Technology	2,951	(85)	—	2,866	2,915	(660)	—	2,255
- Branding	6,871	(57)	—	6,814	6,786	(735)	—	6,051
- In-progress Orders	192	(192)	—	—	190	(190)	—	—
- Members	20	(20)	—	—	20	(20)	—	—
	<u>\$ 11,385</u>	<u>\$ (473)</u>	<u>\$ (1,022)</u>	<u>\$ 9,890</u>	<u>\$ 11,262</u>	<u>\$ (1,724)</u>	<u>\$ (1,022)</u>	<u>\$ 8,516</u>

The amortization expenses incurred for the years ended December 31, 2017, 2018 and 2019 were \$5, \$298 and \$ 1,264 , respectively. For the years ended December 31, 2017, 2018 and 2019, no impairment loss was recorded.

The estimated amortization expense for intangible assets in each of the next five years are \$1,264, \$1,264, \$1,264, \$1,216, and \$684 respectively.

8. LEASES

The Group has operating leases for office space, warehouses and server rental and finance leases for vehicles as a lessee.

The Group's lease agreements include lease payments that are fixed, do not contain material residual value guarantees or variable lease payments. The leases have remaining lease terms of up to ten years. Certain lease agreements include terms with options to extend the lease, however none of these have been recognized in the Company's operating lease ROU assets or operating lease liabilities since those options were not reasonably certain to be exercised. The Group's leases do not contain restrictions or covenants that restrict the Group from incurring other financial obligations. The Group's lease agreements may contain lease and non-lease components. Non-lease components primarily include payments for maintenance.

The components of lease costs were as follows:

	For the year ended December 31, 2019
Operating lease costs	4,956
Short-term lease costs	2,189
Financing lease costs:	
Amortization of ROU assets	247
Interests	66
Total lease costs	<u>7,458</u>
Other information	For the year ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	4,526
Operating cash flows from financing leases	290
Financing cash flows from financing leases	66
ROU assets obtained in exchange for new operating lease liabilities	10,060
ROU obtained in exchange for new finance lease liabilities	—
Weighted-average remaining lease term (in years):	
Operating leases	6.45
Financing leases	3.65
Weighted-average discount rate:	
Operating leases	5.03%
Financing leases	5.44%

For the year ended December 31, 2019, total operating and short-term lease costs were \$7,145.

Future minimum lease payments for operating and financing leases as of December 31, 2019 are as follows:

	Operating Leases	Finance Leases
2020	3,516	361
2021	2,303	361
2022	1,632	325
2023	1,398	187
2024	1,193	34
2025 and thereafter	4,325	—
Total minimum lease payments	<u>14,367</u>	<u>1,268</u>
Less: Imputed interest	(2,096)	(113)
Total lease liability balance	<u>12,271</u>	<u>1,155</u>
Minimum payments related to leases not yet commenced as of December 31, 2019	827	—

As previously disclosed in the consolidated financial statements for the year ended December 31, 2018 and under the previous lease standard (Topic 840), future minimum annual lease payments under operating leases as of December 31, 2018 were as follows:

For the year ending December 31,	
2019	\$ 4,646
2020	2,153
2021	740
	<u>\$ 7,539</u>

Total expenses under operating leases were \$4,282 and \$5,258 for the years ended December 31, 2017 and 2018, respectively.

As of December 31, 2018, future minimum annual lease payments under the capital leases are as follows:

For the year ending December 31,	
2019	\$ 369
2020	367
2021	362
2022	321
2023	185
2024	34
Total minimum lease payments	<u>1,638</u>
Less amount representing interest	(183)
Present value of minimum lease payments	<u>1,455</u>
Less current portion of minimum lease	(299)
Long-term present value of minimum lease payment	<u>\$ 1,156</u>

The assets, with costs and accumulated depreciation of approximately \$1,760 and \$14 as of December 31, 2018, respectively, are amortized over the estimated lives of the assets. Amortization of assets under capital leases is included in depreciation expense.

The effective interest rates on the capital leases vary from 4.30% to 7.40% per annum and are imputed based on the lessor's implicit rate of return.

9. LONG-TERM INVESTMENTS

On February 6, 2015, the Group acquired 30% equity interest of Shantou Demon Network Technology Co., Ltd. (“Demon”), with \$2,100 cash consideration. Demon owns an online website specialized in cross-border packages tracking. The Group has significant influence but does not have control over Demon. Accordingly the Group recorded it as an equity method investment. For the years ended December 31, 2017 and 2018, the Group recorded its share of income of \$208 and \$221 in the consolidated statement of operations, respectively. On June 21, 2019, the Group transferred the 30% equity interest in Demon to Wuhan Zall Interconnected Technologies Co., Ltd. and recorded a gain of \$2,118 for the year ended December 31, 2019.

On March 31, 2017, the Group entered into an agreement with Maikailai Technologies Co., Ltd (“Maikailai”) to acquire 10.53% equity interest of Maikailai with a total cash consideration of \$2,950. As the Group does not have readily determinable fair value of Maikailai and the Group does not have significant influence over Maikailai, the investment is recorded as a cost method investment prior to adopting ASU 2016-01. In accordance with ASU 2016-01, the Company elected to use the measurement alternative to measure such investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any. The adoption did not result in any impact on the carrying amount of the Company’s equity investment in Maikailai measured at fair value using the measurement alternative.

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	As of December 31,	
	2018	2019
Accrued payroll and staff welfare	\$ 12,716	\$ 10,986
Individual income tax withheld	487	473
VAT and other taxes payable	880	2,484
Accrued professional fees	1,971	1,209
Accrued advertising fees	2,950	9,525
Credit card processing charges	441	323
Accrued sales return (2)	1,336	381
Current portion of finance lease liabilities	299	308
Others (1)	1,608	2,953
Total	\$ 22,688	\$ 28,642

(1) Others mainly include deposits from vendors, current portion of minimum lease and accrued utilities.

(2) Accrued sales return represents the estimated sales return at the end of each of the respective years. Movements during the respective years are as follows:

	Year ended December 31,	
	2018	2019
Balance at January 1	\$ 1,236	\$ 1,336
Allowance for sales return accrued in the year	9,257	3,546
Utilization of accrued sales return allowance	(9,157)	(4,501)
Balance at December 31	\$ 1,336	\$ 381

11. Convertible promissory notes

On December 10, 2018, the Company issued convertible promissory notes (the “Note”) to the original shareholders of Ezbuy (“Seller”) for business acquisition. The aggregate par value of the convertible promissory notes is \$85.55 million with zero interest rate and due in 365 days after the acquisition date (Conversion Period). See Note 3 in details of the acquisition of Ezbuy.

Convertible promissory notes are to be converted as follows:

- i. If prior to the end of the Conversion Period the trading average price per the Company’s American Depository Shares (“ADSs”) has been at or above US\$3.85 during three consecutive days of trading, the Note shall be automatically converted into an aggregate of 22,220,779 ADSs of the Company; or
- ii. If the automatic issuance under (i) has not been triggered within the Conversion Period, the purchase price shall be payable in the amount equal to: (a) an aggregate of 22,220,779 ADSs by the way of the automatic issuance to each seller, and (ii) the difference between (x) US\$85.55 million and (y) the product of 22,220,779 and the average of the ten highest closing prices of the trading days during the Conversion Period (the “Average High Closing Price”). However, the Average High Closing Price shall not be higher than US\$3.85. By way of cash or new ADSs, or a combination, is determined by the board of the Company. If by way of new ADSs calculated on the basis of the Average High Closing Price, the number of new ADSs compensated shall not exceed 22,220,779.

In particular, if the Average High Closing Price is not lower than US\$3.85, the above mentioned (ii) will be applied. However, if the Average High Closing Price is lower than US\$3.85, the number of new ADSs compensated shall be 44,441,558 ADSs.

As a result of the foregoing, the ADSs that may be issuable is not less than 22,220,779 ADSs and up to 44,441,558 ADSs.

Based on the features above, the Group designated the above convertible promissory notes as financial liabilities at fair value through profit or loss.

The Company adopted Monte-Carlo Simulation based on a scenario-weighted average method to estimate the fair value of the convertible promissory notes as of the acquisition date and December 31, 2018. The estimate is based on the probability of each scenario and pay-off of the convertible promissory notes under each scenario. The scenarios include different timing and corresponding conversion price of the convertible promissory notes. The key assumptions adopted in the convertible promissory notes valuation include risk-free rate of interest and expected stock price volatility in the conversion period.

The table below reflects the components effecting the change in fair value for the year ended December 31, 2018 and 2019:

	Year ended December 31, 2018		Year ended December 31, 2019	
Balance at January 1	\$	—	\$	51,922
Issuance		29,131		—
Change in fair value		22,791		(14,591)
Conversion to ordinary shares		—		(21,562)
Forward contracts		—		(15,769)
Balance at December 31	\$	51,922	\$	—

Upon the maturity of the Conversion Period, the convertible promissory notes were fully allocated to Ezbuy’s shareholders, including 13,154,284 ordinary shares and 19,091,837 ADSs (representing 38,183,674 ordinary shares) that were issued on December 11, 2019 and 37,545,158 of ordinary shares were subsequently issued in January and March 2020, which were accounted for as Forward Contracts as of December 31, 2019 since the Company has committed to issue these shares before year ended December 31, 2019.

12. ORDINARY SHARES

On June 8, 2016, the Company announced that the implementation of a share repurchase program of up to \$10 million worth of its outstanding ADS representing its ordinary shares from June 15, 2016 through June 14, 2017. Our board of directors subsequently extended the existing share repurchase program for an additional twelve month period, to June 14, 2018. Pursuant to the share repurchase plan, the Company repurchased 5,410,411 ADSs and 6,762,905 ADSs during the year ended December 31, 2017 and 2018, representing 10,820,822 ordinary shares and 13,525,810 ordinary shares with a total consideration of approximately \$23,907 and \$27,261.

On December 23, 2019, the Company announced the implementation and the execution of a share repurchase program of up to US\$3 million of our ordinary shares in the form of American Depositary Shares through June 28, 2020. Pursuant to the share repurchase plan, the Company repurchased 242,990 ADSs during the year ended December 31, 2019, representing 485,980 ordinary shares with a total consideration of approximately \$251.

The shares repurchased by the Company had not been retired or canceled and were accounted for at cost as treasury stock.

In connection with the issuance of ordinary shares, the Group also granted a warrant to the investor to purchase up to 7,455,000 ordinary shares (equivalent to 3,727,500 ADS) at exercise price of \$2.75 per ordinary share. The warrant is exercisable starting from September 30, 2016 and was terminated on March 30, 2018 without being exercised. The Group accounts for the warrant under the authoritative guidance in accounting for derivative financial statements indexed to and potentially settled in, a company's own stock and has determined the warrant should be classified as equity in its consolidated financial statements at fair value at the date of grant. No subsequent charges in fair value were recognized. The Group used the Black-Scholes pricing model to value the warrant and determined the fair value of the warrant at the date of the grant is immaterial.

On December 11, 2019, the Company issued 13,154,284 ordinary shares and 19,091,837 ADSs (representing 38,183,674 ordinary shares) upon the maturity of the convertible promissory notes issued to certain of Ezbuy's shareholders. In January and March 2020, the Company issued 37,545,158 ordinary shares to the rest of Ezbuy's shareholders. See Note 11 for details.

13. SHARE OPTIONS

On October 27, 2008, the Company adopted the 2008 Share Incentive Option Plan ("2008 Plan") for the granting of share options to employees to reward them for services provided to the Company and to provide incentives for future services. Pursuant to the 2008 Plan, total shares that the 2008 Plan was authorized to grant were 4,444,444 shares. In May 2014, the Company authorized the issuance of an additional 6,900,000 ordinary shares to support the Company's business expansion and recruiting plans. The majority of the options will vest over four years where 25% of the options will vest at the end of the first year after the grant date through the fourth year. The share options expire 10 years from the date of grant.

In 2013, the Company granted 307,250 share options under the 2008 Plan to employees at exercise price of \$4.75 per share. These share options vest over a period ranged from three to four years.

In 2014, the Company granted 1,797,300 share options under the 2008 Plan to employees at exercise prices ranged from \$1.84 to \$3.26 per share. These share options vest over a period ranged from three to four years.

In 2015, the Company granted 546,400 share options under the 2008 Plan to employees at exercise prices at \$2.25 per share. These share options vest over a period from three months to four years.

In 2016, the Company granted 4,000 share options under the 2008 Plan to employees at exercise prices at \$1.40 per share. These share options vest over a period of four years.

In 2017, the Company granted 120,000 share options under the 2008 Plan to employees at exercise prices ranged from \$0.89 to \$1.49 per share. These share options vest over a period of four years.

In 2018, the Company granted 44,000 share options under the 2008 Plan to employees at exercise prices ranged from \$0.33 to \$1.92 per share. These share options vest over a period of four years.

In 2019, the Company didn't grant share options.

The fair value of each option granted was estimated on the date of grant using binomial option pricing model with the following assumptions during the applicable periods:

	Year ended December 31,	
	2017	2018
Risk-free interest rate per annum	2.45%	2.90-3.20%
Exercise multiple	2.2	2.2
Expected volatility	71.7%	66.4-69.5%
Expected dividend yield	0%	0%
Fair value of ordinary shares	\$ 0.70	0.44-1.04
Expected terms (in years)	10	10

(1) Risk-free interest rate

Risk-free interest rate was estimated based on the yield to maturity of China international government bonds with a maturity period close to the contractual term of the options.

(2) Exercise multiple

Exercise multiple represents the value of the underlying share as a multiple of exercise price of the option which, if achieved, results in exercise of the option.

(3) Volatility

The volatility of the underlying ordinary shares during the life of the options was estimated based on the historical stock price volatility of the Company's publicly traded stock.

(4) Dividend yield

The dividend yield was estimated by the Group based on its expected dividend policy over the contractual term of the options.

(5) Fair value of underlying ordinary shares

The fair value of the underlying ordinary shares is determined based on the closing market price of the ADS of the Company as of the grant date.

A summary of the share option activities under the 2008 Plan as of December 31, 2019, and changes during the year then ended is presented below:

	Options granted	Weighted average exercise price per option
Outstanding at January 1, 2019	619,650	\$ 1.61
Granted	—	\$ —
Exercised	(93,000)	\$ 0.01
Forfeited	(321,950)	\$ 1.58
Outstanding at December 31, 2019	204,700	\$ 2.39

The following table summarizes information regarding the share options granted as of December 31, 2019:

	As of December 31, 2019			
	Options Number	Weighted-average exercise price per option	Weighted-average remaining contractual life (years)	Aggregate intrinsic value
Options				
Outstanding	204,700	\$ 2.39	4.83	\$ —
Exercisable	200,700	\$ 2.42	4.77	\$ —
Expected to vest	4,000	\$ 0.89	7.83	\$ —

The total intrinsic value of options exercised during the years ended December 31, 2017, 2018 and 2019 were \$324, \$270, and \$539, respectively.

The weighted average grant date fair value of options granted during the years ended December 31, 2017, 2018 and 2019 was \$0.70, \$0.50 and nil, respectively.

For the years ended December 31, 2017, 2018 and 2019, the Group recorded share-based compensation expense of \$97, \$21 and \$66 related to the options under the 2008 Plan, respectively. As of December 31, 2019, there was \$ 9 of unrecognized compensation cost related to the options, which is expected to be recognized over a weighted-average period of 1.83 years.

14. NONVESTED SHARES

In 2013, the Company granted 711,571 nonvested shares to certain officers and employees. These nonvested shares vest over a period ranged from two to four years.

In 2014, the Company granted 2,800,300 nonvested shares to certain officers and employees. These nonvested shares vest over a period ranged from three to four years.

In 2015, the Company granted 3,154,800 nonvested to certain officers and employees. These nonvested shares vest over a period from three months to four years.

In 2016, the Company granted 296,000 nonvested to certain officers and employees. These nonvested shares vest over a period from three months to four years.

In 2017, the Company granted 272,000 nonvested to certain officers and employees. These nonvested shares vest over a period of four years.

In 2018, the Company granted 244,000 nonvested to certain officers and employees. These nonvested shares vest over a period of four years.

In 2019, the Company granted 1,829,000 nonvested to certain officers and employees. The nonvested shares of 280,000 vest over a period of two years and nonvested shares of 1,549,000 vest immediately.

The holders of the nonvested shares are entitled to voting rights, but shall not be entitled to dividends before vesting.

The following table summarizes information regarding the nonvested shares granted and vested:

	<u>Number of Shares</u>	<u>Weighted average grant date fair value</u>
Outstanding at January 1, 2019	548,780	\$ 5.07
Granted	1,829,000	\$ 0.54
Forfeited	(104,476)	\$ 1.52
Vested	(1,813,304)	\$ 0.54
Outstanding at December 31, 2019	<u>460,000</u>	\$ 5.74

The total fair value of shares vested during the years ended December 31, 2017, 2018 and 2019 was \$808, \$379 and \$ 972 , respectively.

For the years ended December 31, 2017, 2018 and 2019, the Group recorded share-based compensation expenses of \$1,768, \$384 and \$1,995 related to the nonvested shares, respectively. As of December 31, 2019, there was \$327 of unrecognized compensation costs related to nonvested shares, which are expected to be recognized over a weighted-average period of 1.82 years.

Total share-based compensation expenses for share options and nonvested shares for the years ended December 31, 2017, 2018 and 2019 were as follows:

	Year ended December 31,		
	2017	2018	2019
Fulfillment	\$ 214	\$ 47	\$ 238
Selling and marketing	456	99	408
General and administrative	1,195	259	1,414
Total	\$ 1,865	\$ 405	\$ 2,060

15. INCOME TAXES

Cayman Islands

The Company and Ezbuy are two tax-exempted companies incorporated in the Cayman Islands and are not subject to tax on income or capital gains.

Hong Kong

Light In The Box, Lanting International Holding Limited (“Lanting International”), LightInTheBox International Logistic Co., Ltd. (“LightInTheBox Logistic”), Light Square Limited (“Light Square”), and Ezbuy HK are located in Hong Kong and subject to Hong Kong profits tax at 16.5% with respect to the profit generated from Hong Kong. It is exempted from income tax on its foreign-derived income and there are no withholding taxes in Hong Kong on remittance of dividends. A two-tiered profits tax rates regime was introduced since year 2018 where the first HK\$2,000 of assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) whilst the remaining profits will continue to be taxed at 16.5%. There is an anti-fragmentation measure where each group will have to nominate only one company in the group to benefit from the progressive rates. The Group did not make any provisions for Hong Kong profit tax as there were no assessable profits derived from or earned in Hong Kong for any of the years presented.

PRC

The Company’s subsidiaries and VIEs in the PRC are subject to the statutory rate of 25%, in accordance with the Enterprise Income Tax law (the “EIT Law”), which was effective since January 1, 2008 except for the following entities eligible for preferential tax rates.

Lanting Gaochuang was qualified as a software enterprise in 2012 and therefore was entitled to a two-year income tax exemption starting from 2013, its first profit making year, following by a reduced tax rate of 12.5% for the subsequent three years ended December 31, 2017. On December 22, 2016, Lanting Gaochuang obtained the High and New Technology Enterprise (“HNTE”) certificate with a validity term of three years. Lanting Gaochuang reapplied and obtained the HNTE certificate on December 2, 2019 and was eligible to an enterprise income tax rate of 15% from December 31, 2019 through December 31, 2021, provided that it meets the requirements.

Lanting Huitong was qualified as a technology-advanced service enterprise for the years ended December 31, 2016 and 2017, and therefore was entitled to the preferential income tax rate of 15% for those years. For the year ended December 31, 2018, Lanting Huitong was subject to 25% statutory income tax rate in accordance with the Enterprise Income Tax Law (“EIT Law”). In 2019, Lanting Huitong was qualified as a small and micro-sized enterprise (“SME”), and therefore was eligible for both the 50% reduction of taxable income and the reduced EIT rate of 20% for the year ended December 31, 2019.

Keji Chengdu was qualified as a software enterprise which allows it to utilize a two-year 100% exemption for 2018 and 2019 followed by a three-year half-reduced EIT rate effective for years from 2020 to 2022.

Suzhou Trading was qualified as SME, and therefore was subject to both the 50% reduction of taxable income and the reduced EIT rate of 20% for the year ended December 31, 2019.

Shenzhen Xuyi and Qianhai Xuyi Hunan Branch was qualified as SME in 2018 and Shenzhen Xuyi and Chongqing Xuyi qualified as SME in 2019, and therefore were subject to both the 50% reduction of taxable income and the reduced EIT rate of 20% for the respective years.

Other entities of the Group domiciled in the PRC were subject to 25% statutory income tax rate in accordance with the EIT Law in the periods presented.

Singapore

Ching International service PTE.LTD, D2D Express PTE.LTD, Avant E-Commerce Service PTE.LTD and Avant Logistic Service PTE.LTD are located in Singapore and are subject to 17% statutory income tax rate with respect to the profit generated from Singapore.

The components of (loss)/income before income tax expense and gain from equity method investment are as follows:

	Year ended December 31,		
	2017	2018	2019
Cayman Islands	\$ (3,705)	\$ (24,750)	11,403
Hong Kong SAR	(7,205)	(36,476)	(7,728)
PRC, excluding Hong Kong SAR, and other countries	1,235	1,436	(2,504)
Total	\$ (9,675)	\$ (59,790)	\$ 1,171

For the years ended December 31, 2017, 2018 and 2019, income tax expense included in the consolidated statements of operations were attributable to the Group's PRC subsidiaries and VIEs and comprised current tax expense of \$81, \$33 and \$113, and deferred tax expense of nil, nil and nil for the years ended December 31, 2017, 2018 and 2019.

The principal components of the deferred tax assets and liabilities are as follows:

	As of December 31,	
	2018	2019
Deferred tax assets:		
Bad debt allowance	88	—
Accrued inventory provision	348	—
Net operating loss carry forwards	27,852	33,267
Less: Valuation allowance	(26,691)	(31,879)
Total deferred tax assets	\$ 1,597	\$ 1,388
Deferred tax liabilities:		
Property and equipment	\$ —	\$ (18)
Acquired intangible assets	\$ (1,597)	\$ (1,370)
Total deferred tax liabilities	\$ (1,597)	\$ (1,388)
Net deferred tax assets	\$ —	\$ —
Net deferred tax liabilities	\$ —	\$ —

As of December 31, 2019, the Group had net operating losses from several of its PRC and overseas entities in the amount of \$196,310, which can be carried forward to offset future taxable profit. As per filed tax returns, the net operating loss from PRC entities will expire between 2020 and 2024. For the net operating loss from overseas entities, there is no limitation of expiration according to applicable statute of Hong Kong and Singapore.

The Group operates through its subsidiaries and VIEs and the valuation allowance is considered on each individual subsidiary and VIE basis. The Group has recognized a full valuation allowance against deferred tax assets as the Group believes that it is more likely than not that its deferred tax assets will not be realized as it does not expect to generate sufficient taxable income in the near future

Movement of valuation allowance

	Year ended December 31,	
	2018	2019
Balance at beginning of the period	\$ 20,986	\$ 26,691
Additions	5,705	5,188
Balance at end of the period	\$ 26,691	\$ 31,879

Reconciliation between the expense of income taxes computed by applying the PRC tax rate to loss before income taxes and the actual provision for income taxes is as follows:

	Year ended December 31,		
	2017	2018	2019
Loss before provision of income tax	\$ (9,675)	\$ (59,790)	\$ 1,171
Statutory tax rate in the PRC	25%	25%	25%
Income tax at statutory tax rate	(2,419)	(14,948)	293
Non-deductible expenses	42	115	10
Effect of preferential tax rates	(67)	7	(135)
Utilization of tax loss previously not recognized	(99)	—	—
Effect of income tax rate differences in jurisdictions other than the PRC	1,456	9,154	(2,277)
Statutory income/expense	—	—	(653)
Deferred tax expense	—	—	(2,313)
Changes in valuation allowances	1,168	5,705	5,188
Income tax expense	\$ 81	\$ 33	\$ 113

As of and for the years ended December 31, 2017, 2018 and 2019, there were no significant impact from tax uncertainties on the Company's financial position and result of operations. The company does not expect the amount of unrecognized tax benefits to increase significantly in the next 12 months.

The Company and its subsidiaries' major tax jurisdictions are Hong Kong, PRC, and Singapore. Income tax returns of the Company and its subsidiaries remain open and subject to examination by the local tax authorities of Hong Kong, PRC and Singapore until the statute of limitations expire in each corresponding jurisdiction. The statute of limitations in Hong Kong, PRC and Singapore are six years, five years and five years, respectively.

16. (LOSS) / INCOME PER SHARE

The following table sets forth the computation of basic and diluted net (loss)/income per ordinary share for the following years:

	Year ended December 31,		
	2017	2018	2019
Numerator:			
Net (loss) / income attributable to ordinary shareholders of LightInTheBox Holding Co., Ltd.	\$ (9,548)	\$ (59,602)	\$ 999
Net: Change in fair value of convertible promissory notes	—	—	14,591
Denominator:			
Weighted average number of shares used in calculating net (loss) / income per ordinary share —basic	\$ 137,641,562	\$ 134,495,549	\$ 137,588,401
Weighted average number of shares used in calculating net loss per ordinary share —diluted	\$ 137,641,562	\$ 134,495,549	\$ 223,517,833
Net (loss) / income per ordinary share- basic	\$ (0.07)	\$ (0.44)	\$ 0.01
Net loss per ordinary share- diluted	\$ (0.07)	\$ (0.44)	\$ (0.06)

As a result of the Group's net loss for the years ended December 31, 2017 and 2018, 890,500 and 619,650 options outstanding, 1,084,284 and 548,780 nonvested shares outstanding, nil and 88,883,116 shares upon conversion of convertible promissory notes, were excluded from the computation of diluted net loss per share as their inclusion would have been anti-dilutive. For the year ended December 31, 2019, 204,700 options outstanding and 460,000 nonvested shares outstanding were excluded from the computation of diluted net loss per share as their inclusion would have been anti-dilutive.

17. EMPLOYEE BENEFIT PLANS

Full time employees in the PRC, Singapore, Malaysia and Thailand participate in a government-mandated defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. The PRC labor regulations require the Group to make contributions based on certain percentages of the employees' basic salaries. Other than the contribution, there is no further obligation under these plans. The total contribution for such employee benefits was \$5,258, \$5,358 and \$6,774 for the years ended December 31, 2017, 2018 and 2019, respectively.

18. STATUTORY RESERVES AND RESTRICTED NET ASSETS

In accordance with the PRC laws and regulations, the group is required to provide for certain statutory reserves, namely general reserve, enterprise expansion reserve, and staff welfare and bonus reserve, all of which are appropriated from net profit as reported in their PRC statutory accounts. The Group's subsidiaries are required to allocate at least 10% of their after-tax profits to the general reserve until such reserve has reached 50% of their respective registered capital.

Appropriations to the enterprise expansion reserve and the staff welfare and bonus reserve are to be made at the discretion of the board of directors of each of the Group's subsidiaries. There are no appropriations to these reserves by the Group's PRC (mainland) subsidiaries for the years ended December 31, 2017, 2018 and 2019.

As a result of these PRC laws and regulations and the requirement that distributions by the PRC entities can only be paid out of distributable profits computed in accordance with the PRC GAAP, the PRC entities are restricted from transferring a portion of their net assets to the Group. Amounts restricted include paid-in capital and the statutory reserves of the Company's PRC subsidiaries and VIEs. As of December 31, 2019, the amounts of capital represented the amount of net assets of the relevant subsidiaries and VIEs in the Group not available for distribution amounted to \$6,266.

19. SEGMENT REPORTING

The Group's chief operating decision maker has been identified as the Chief Executive Officer who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. The Group uses the management approach to determine the operating segments. The management approach considers the internal organization and reporting used by the Group's chief operating decision maker for making decisions, allocating resources and assessing the performance.

Prior to 2016, the Group's operations were organized into one operating segment. In 2016, following the further expansion in service business and revenue generated from services beginning to account for a material portion of the total revenue, the Group operated and reviewed its performance in two segments: (i) Product sales which consisted of online retailing of consumer products, and (ii) Services which consisted of provision of services such as technical services and logistic services to other e-commerce retailers. Furthermore, the Group's chief operating decision maker evaluates performance based on each reporting segment's revenues, costs and gross profit and is not provided with asset information by segment.

There were no separate segment assets and segment liabilities information provided to the Group's Chief Executive Officer, as he does not use this information to allocate resources to or evaluate the performance of the segments.

The following table presents selected financial information relating to the Group's segments:

	Year ended December 31, 2019		
	Product sales	Services	Consolidated
Revenues	\$ 236,705	\$ 6,921	\$ 243,626
Cost of revenues	144,061	1,968	146,029
Gross profit	92,644	4,953	97,597
Unallocated operating expenses			113,649
Loss from operations			(16,052)
Interest income			297
Interest expense			(66)
Change in fair value of convertible promissory notes			14,591
Other income, net			283
Loss before income tax expense and gain from equity method investment			\$ (947)

	Year ended December 31, 2018		
	Product sales	Services	Consolidated
Revenues	\$ 216,407	\$ 11,132	\$ 227,539
Cost of revenues	156,326	10,017	166,343
Gross profit	60,081	1,115	61,196
Unallocated operating expenses			98,677
Loss from operations			(37,481)
Interest income			487
Interest expense			(5)
Change in fair value of convertible promissory notes			(22,791)
Loss before income tax expense			\$ (59,790)

	Year ended December 31, 2017		
	Product sales	Services	Consolidated
Revenues	\$ 293,951	\$ 25,930	\$ 319,881
Cost of revenues	189,816	24,445	214,261
Gross profit	104,135	1,485	105,620
Unallocated operating expenses			115,787
Loss from operations			(10,167)
Exchange loss on offshore bank accounts			(89)
Interest income			581
Loss before income tax expense			\$ (9,675)

	Year ended December 31,		
	2017	2018	2019
Apparel	\$ 99,160	\$ 72,871	\$ 78,954
Other general merchandise (1)	194,791	143,536	157,751
Total product sales revenues	\$ 293,951	\$ 216,407	\$ 236,705

(1) Others mainly include products such as small accessories and gadgets, home garden, electronics and communication devices and others.

The following table summarizes the Group's total revenues generated in different geographic locations and as a percentage of total revenues.

	Year ended December 31,					
	2017		2018		2019	
	Revenues	%	Revenues	%	Revenues	%
Europe	\$ 153,697	48.1	\$ 109,781	48.2	\$ 87,586	36.0
North America	73,339	22.9	51,206	22.5	37,932	15.6
Other countries	92,845	29.0	66,552	29.3	118,108	48.4
Total revenues	\$ 319,881	100.0	\$ 227,539	100.0	\$ 243,626	100.0

Europe's revenues include revenues from France of \$34,693, \$22,900 and \$18,012 during the years ended December 31, 2017, 2018 and 2019, respectively. North America's revenues include revenues from the United States of, \$60,810, \$40,148 and \$29,794 during the years ended December 31, 2017, 2018 and 2019, respectively.

As of December 31, 2017, 2018 and 2019 substantially all of long-lived assets of the Group are located in the PRC and Singapore.

20. RELATED PARTY TRANSACTIONS

Zhejiang Aokang Shoes Co., Ltd. ("Aokang") became a shareholder of the Company in 2015 and held 18.1% of the outstanding shares of the Company as of December 31, 2017. In 2017, the Company purchased goods from Aokang amounted to \$0.4.

Zall E-commerce and its subsidiary Zall Development (HK) Holding Company Limited (collectively referred to "Zall") became shareholders of the Company in 2016 and held 29.5% of the outstanding shares of the Company as of December 31, 2019. For the years ended December 31, 2018 and 2019, the Group entered into the following contracts with the subsidiaries of Zall:

The Group entered into sales contracts with Hankou North Import and Export Service Co., Ltd. (“Hankou North”) to sell cotton products in 2018, which is one of Zall’s subsidiaries. The total transaction amount in 2018 was \$325 and all settled as of December 31, 2018.

The Group entered into a logistics agency contract with Hankou North in 2018 and the total logistic service fee in 2018 and 2019 was \$4,302 and \$1,952, respectively. As of December 31, 2018 and 2019, \$1,550 and negative \$62 has not been settled, respectively.

The Group entered into a logistics agency contract with Zall Foreign Trade Service (Hong Kong) Company Limited (“Zall HK”) in 2018, which is one of Zall’s subsidiaries. The total logistic service fee in 2018 and 2019 was \$4,186 and \$770, respectively. As of December 31, 2018 and 2019, about \$1,007 and negative \$53 has not been settled, respectively.

The Group entered into a Contract of Network Marketing Technical Services with Zall HK in 2018. The total advertising fee in 2018 and 2019 was \$7,441 and \$8,334, respectively. As of December 31, 2018 and 2019, \$2,396 and \$220 has not been settled, respectively.

The Group leased offices on behalf of Jiashi Financial Information Service (Hangzhou) Co., Ltd. (“Jiashi”) since October 1, 2018, which is one of Zall’s subsidiaries. The total rental fee received from Jiashi was \$26 in 2018.

The Group signed a Share Transfer Agreement with Wuhan Zall Internet Technology Co., Ltd in 2019. The total purchase price was \$4,223. As of December 31, 2019, \$4,223 has not been settled. See Note 9 for details of the share transfer.

The Group entered into a Contract of GPS Project Technical Services with Hankou North in 2019. The total technical services fee received from Hankou North was \$123 in 2019 and all settled as of December 31, 2019.

The Group entered into a Contract of Technical Development Services with Demon Network Technology (Hong Kong) Co., Ltd. (“Demon Hong Kong”) in 2019. The total technical services fee received from Demon Hong Kong in 2019 was \$749. As of December 31, 2019, \$315 has not been received.

The Group entered into a Contract of Website Maintenance Services with Shanghai Zhijie E-Commerce Co., Ltd in 2018. Shanghai Zhijie E-Commerce Co., Ltd is an affiliate of the Group. The total service fee in 2019 was \$189. As of December 31, 2019, \$19 has not been settled.

21. CONTINGENCIES

The Group's PRC subsidiaries and VIEs, have not fully paid the contributions for employee benefit plans as required by applicable PRC regulations. While the Group believes it has made adequate provision of such outstanding amounts in the consolidated financial statements, prior failure to make payments may be in violation of applicable PRC labor-related laws and the Group may be subject to fines up to maximum of 3 times if it fails to rectify any such breaches within the period prescribed by the relevant authorities. As of December 31, 2019, there had been no actions initiated by the relevant authorities. The Group is unable to reasonably estimate the actual amount of fines and penalty that may rise if the authorities were to become aware of the non-compliance and were to take action.

The Group's PRC subsidiaries and VIEs did not withhold appropriate amount of individual income tax prior to its IPO as required by applicable PRC tax laws. While the Group believes it has made adequate provision of such outstanding amounts in the consolidated financial statements, and in March 2013, the accrued amounts were substantially paid by the Group on a voluntary basis to the relevant tax authority, the Group may still be subject to future fines or levies for such non-compliance. As of December 31, 2019, there had been no actions initiated by the relevant authorities. The Group is unable to reasonably estimate the actual amount of fines or levies that may rise if the authorities were to take action.

The Group is subject to periodic legal or administrative proceedings in the ordinary course of business. The Group does not believe that any currently pending legal or administrative proceeding to which the Group is a party will have a material effect on its business or financial condition.

22. SUBSEQUENT EVENTS

From late January 2020, the COVID-19 was rapidly evolving in China and globally. Since then, the business and transportation disruptions have caused adverse impacts to the Group's operations and led to incremental costs. Demands for certain categories of products have been negatively affected by the COVID-19 outbreak, while epidemic products were stimulated positively. The Group's results of operation and consolidated financial position of 2020 will be affected to a certain extent, which will depend on the future developments of the outbreak, including new development concerning the global severity of and actions taken to contain the outbreak, which are highly uncertain and unpredictable.

23. PARENT ONLY INFORMATION

Basis of presentation

Condensed financial information is used for the presentation of the Company, or the parent company. The condensed financial information of the parent company has been prepared using the same accounting policies as set out in the Group's consolidated financial statements except that the parent company used the equity method to account for its investment in its subsidiaries and VIEs.

Investments in subsidiaries and VIEs

The Company and its subsidiaries and VIEs were included in the consolidated financial statements where the intercompany transactions and balances were eliminated upon consolidation. For purpose of the Company's standalone financial statements, its investments in subsidiaries and VIEs were reported using the equity method of accounting. The Company's deficit in subsidiaries and VIEs were reported as equity in losses of subsidiaries and VIEs in the accompanying parent company financial statements.

Ordinarily under the equity method, an investor in an equity method investee would cease to recognize its share of the losses of an investee once the carrying value of the investment has been reduced to \$nil absent an undertaking by the investor to provide continuing support and fund losses. For the purpose of this parent only information, the parent company has continued to reflect its share, based on its proportionate interest, of the losses of subsidiaries, VIEs and VIEs' subsidiary regardless of the carrying value of the investment even though the parent company is not obligated to provide continuing support or fund losses.

The following represents condensed unconsolidated financial information of LightInTheBox Holding Co., Ltd.

a. Condensed Balance Sheets:

	December 31,	
	2018	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 311	\$ 134
Prepaid expenses and other current assets	168	209
Amounts due from subsidiaries and VIEs	166,636	164,146
TOTAL ASSETS	\$ 167,115	\$ 164,489
LIABILITIES AND (DEFICIT) / EQUITY		
Current Liabilities		
Convertible promissory notes	51,922	—
Accrued expenses and other current liabilities	1,880	618
Deficit of investment in subsidiaries and VIEs	121,113	132,044
TOTAL LIABILITIES	\$ 174,915	\$ 132,662
(DEFICIT) / EQUITY		
Ordinary shares	\$ 11	\$ 14
Additional paid-in capital	239,269	262,888
Forward contracts	—	15,769
Treasury shares, at cost	(27,261)	(27,512)
Accumulated deficit	(218,887)	(217,888)
Accumulated other comprehensive loss	(932)	(1,444)
TOTAL (DEFICIT) / EQUITY	(7,800)	31,827
TOTAL LIABILITIES AND (DEFICIT) / EQUITY	\$ 167,115	\$ 164,489

b. Condensed Statements of Operations and Comprehensive (Loss)/Income:

	Year ended December 31		
	2017	2018	2019
General and administrative	2,246	1,145	1,113
Operating loss	(2,246)	(1,145)	(1,113)
Share of loss from subsidiaries and VIEs	(7,407)	(35,665)	(12,479)
Interest income	105	—	—
Change in fair value of convertible promissory notes	—	(22,791)	14,591
(Loss) / Income before income taxes	(9,548)	(59,601)	999
Income tax expense	—	—	—
Net (loss) / income	(9,548)	(59,601)	999
Other comprehensive (loss) / income:			
Foreign currency translation adjustment, net of nil income taxes	380	(733)	(512)
Total comprehensive (loss) / income	\$ (9,168)	\$ (60,334)	\$ 487

c. Condensed Statements of Cash Flows:

	Year ended December 31,		
	2017	2018	2019
Net (loss) / income	(9,548)	(59,601)	999
Share of loss from subsidiaries and VIEs	7,407	35,665	12,479
Change in fair value of convertible promissory notes	—	22,791	(14,591)
Prepaid expenses and other current assets	112	283	(41)
Accrued expenses and other current liabilities	(126)	(1,469)	(1,262)
Net cash used in operating activities	\$ (2,155)	\$ (2,331)	\$ (2,416)
Changes in amounts due from subsidiaries and VIEs	(23,883)	4,512	2,490
Net cash (used in) / provided by investing activities	\$ (23,883)	\$ 4,512	\$ 2,490
Proceeds from private placement and options exercised	37	13	—
Repurchase of ordinary shares	(3,101)	(3,354)	(251)
Net cash used in financing activities	\$ (3,064)	\$ (3,341)	\$ (251)
Net decrease in cash and cash equivalents	(29,102)	(1,160)	(177)
Cash and cash equivalents at beginning of the year	30,573	1,471	311
Cash and cash equivalents at end of the year	1,471	311	134

Loan Agreement

This Loan Agreement (**Agreement**), dated as of July 7, 2019, is made in Beijing, the People's Republic of China (the **PRC**, excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan for the purpose of this Agreement), by and between the following parties (**Parties**):

Lanting HuiTong Technologies Co., Ltd. (the Lender)

Registered Address:

Legal Representative: Jian He

Jian He (the Borrower)

Address: Room 101, No.46, Lane 18, QingTong Road, Pudong New District, Shanghai.

Whereas:

- B. The Borrower intends to borrow RMB255,000 (the **Loan**) from the Lender for paying Mr. Guo Quji the consideration for equity transfer of Lanting Gaochuang, representing 51% of the equity interests in Lanting Gaochuang.(Hereinafter referred to as "payment equity transfer)
- C. The Lender agrees to provide the Loan to the Borrower.

Therefore, based on the principle of equality and mutual benefit, and through friendly negotiation, the parties agree as follows:

1. Purpose and Amount

- 1.1 The Lender agrees to grant the Borrower a loan with a maximum principal amount of RMB255,000 pursuant to the terms and conditions of this Agreement. The loan shall be paid in RMB. The Loan shall be interest free for its entire term.
- 1.2 Subject to the following prerequisite, the Lender shall remit the Loan into the bank account designated by the Borrower within 5 days upon receipt of the withdrawal request sent by the Borrower, and the Borrower shall confirm receipt of the Loan in writing.

2. Term

- 2.1 The term of the Loan shall be ten (10) years commencing from the date on which the Loan is actually withdrawn by the Borrower. The term shall be automatically extended for another 10 years unless the Lender indicates otherwise by 3 months' prior written notice before the expiry of this Agreement.
-

- 2.2 The Borrower hereby agrees and warrants that the Loan provided by the Lender may only be used for payment equity transfer of Lanting Gaochuang. The Borrower may not transfer or mortgage his equity interest under this Agreement to any other third party without prior written consent of the Lender.
- 2.3 The Lender and the Borrower hereby agree and acknowledge that the Loan shall not be repaid in advance unless requested by the Lender, or upon the expiry of this Agreement. The Borrower shall repay the Loan in the manner and amount specified below: The Borrower shall only repay the Loan in the funds by transferring the equity of Lanting Gaochuang held by the Borrower to the Lender or any other third party designated by the Lender. If the funds from such transfer comply with any tax or administrative expense policies, then the Borrower shall only be obligated to repay the net portion of such funds to the Lender (after deducting any applicable taxes or expenses). If the Borrower's equity in Lanting Gaochuang has been transferred in whole pursuant to such provisions, and the Borrower has repaid the Loan in all funds from such transfer to the Lender, then the outstanding balance of the Loan under this Agreement shall be deemed to be repaid.
- 2.4 The Lender and the Borrower agree and acknowledge that the Borrower shall immediately repay the Loan upon the occurrence of any of the following:
- 2.4.1 The Borrower dies or his capacity to perform civil acts is lost or limited;
 - 2.4.2 The Borrower is charged with a criminal offense or involved in a crime;
 - 2.4.3 PRC laws impose legal restrictions or adverse effects on the operations of Lanting Gaochuang; or
 - 2.4.4 The Lender sends the Borrower a written notice to repay the Loan.

3. Prerequisites for Payment

- 3.1 Payment of the Loan by the Lender shall, unless specifically waived by the Lender in writing, be conditional upon the fulfillment of all of the following conditions precedent:
- 3.1.1 The Borrower has sent a written request for withdrawal pursuant to Article 1.2 of this Agreement, and the amount requested does not exceed the available balance;
 - 3.1.2 All representations and warranties provided by the Borrower are true, complete, correct and not misleading; and
 - 3.1.3 The Borrower has not breached any of his commitments and warranties provided in Article 5.
-

4. Representations and Warranties

- 4.1 The Borrower represents and warrants to the Lender as follows, and acknowledges that the Lender will execute and perform this Agreement on the basis of such representations and warranties:
- 4.1.1 He has full capacity for civil conduct and the power to enter into the Agreement;
 - 4.1.2 The execution of this Agreement by him will not result in a breach of any laws or binding obligations;
 - 4.1.3 This Agreement shall constitute his binding obligations and shall be enforceable against him upon execution;
 - 4.1.4 He hasn't been charged with a criminal offense or involved in a crime;
 - 4.1.5 Except the Option under the Equity Disposal Agreement and the pledge under the Share Pledge Agreement, he shall not create any pledges over all or part of his shareholder rights in Lanting Gaochuang, or create any priority for any third-party in the situation where the beneficiary is not the Lender or its subsidiary or affiliate.
- 4.2 The Lender represents and warrants to the Borrower as follows:
- 4.2.1 it is a company duly incorporated and validly existing under PRC laws;
 - 4.2.2 it has the power to enter into and perform this Agreement. It has taken appropriate actions and obtained the authorization and approval from third parties and relevant governmental authorities with respect to the execution and performance of this Agreement pursuant to all binding legal restrictions and contracts;
 - 4.2.3 this Agreement shall constitute a legitimate, valid and binding obligation, and shall be enforceable against it pursuant to the provisions hereof upon execution of this Agreement.

5. The Borrower's Commitments and Warranties

- 5.1 As a shareholder of Lanting Gaochuang, the Borrower hereby commits and warrants that, Lanting Gaochuang exerts its best efforts to comply with the following during the term of this Agreement:
- 5.1.1 shall not modify, in any way, its articles of association or alter its shareholding structure without the prior written consent of the Lender;
-

- 5.1.2 shall not transfer or otherwise dispose of any significant assets, or create any other security interests over any significant assets for the Lender, the Lender's subsidiary or affiliate without the prior written consent of the Lender;
 - 5.1.3 shall not provide any security or be liable for any debt beyond the scope of their daily business without the prior written consent of the Lender;
 - 5.1.4 shall not enter into any major contracts, except those entered into in the daily business without the prior written consent of the Lender;
 - 5.1.5 shall not provide any loans or credit to any party without the prior written consent of the Lender;
 - 5.1.6 shall not merge with or invest in any third-party without the prior written consent of the Lender; and
 - 5.1.7 shall not declare, in any fashion, any bonuses or dividends for shareholders without the prior written consent of the Lender.
- 5.2 The Borrower further commits to the Lender during the term of the Agreement:
- 5.2.1 to take all appropriate measures to maintain its identity and status as the shareholder of Lanting Gaochuang;
 - 5.2.2 not to transfer or dispose of any equity held by it in Lanting Gaochuang or other rights or powers related thereto;
 - 5.2.3 to procure that the shareholders of Lanting Gaochuang will not adopt any resolutions at the shareholders' meeting with regard to merging with or investing in any third-party without the prior written consent of the Lender;
 - 5.2.4 not to take any actions that will have a material effect on the assets, business, obligations or responsibilities of Lanting Gaochuang without the prior written consent of the Lender;
 - 5.2.5 at the request of the Lender, to promptly and unconditionally transfer to the Lender or any third-party designated by the Lender all or part of the shares it holds in Lanting Gaochuang in accordance with PRC law, and to procure all other shareholders of Lanting Gaochuang to waive any priority to purchase such shares (if applicable); and
 - 5.2.6 to be strictly in compliance with the commitments and warranties hereunder and under other related agreements.
-

5.3 The Borrower hereby warrants and commits, after the execution of this Agreement, that it shall act as follows:

- 5.3.1 for the benefit of the Lender, to pledge all equity interest held by the Borrower in Lanting Gaochuang, to ensure that the Borrower repays the Loan under this Agreement and pays the service fee under the Exclusive Technical and Consulting Service Agreement on time and enters into the Equity Pledge Agreement with the Lender;
- 5.3.2 to appoint and authorize the person designated by the Lender to exercise the rights and powers related to the equity interest held by the Borrower in Lanting Gaochuang at the time of the signing of this Agreement, and to sign and deliver the necessary power of attorney;
- 5.3.3 in its capacity as shareholder of Lanting Gaochuang, to confirm and warrant that the Borrower is bound by the Business Operation Agreement, which was entered into among the Lender, Lanting Gaochuang and the Borrower in July 1, 2019; and
- 5.3.4 to acknowledge and agree that the Lender shall be entitled to purchase, or opt to designate any third party to purchase, the equity interest held by the Borrower in Lanting Gaochuang from time to time and at the agreed price, and to sign the Equity Disposal Agreement.

6. Breach of Contract

The Borrower shall pay the Lender overdue interests which should be 0.01% of the outstanding balance of the Loan per day If he fails to repay the Loan in accordance with this Agreement.

7. Confidentiality

- 7.1 The Parties acknowledge and confirm that all possible measures will be taken to keep all materials and information known through this Agreement **(Confidential Information)** confidential. Without the prior written consent of the other Party, neither Party shall disclose or transfer such confidential information to any third party. Upon termination of this Agreement, the receiving Party shall, at the request of the disclosing Party, return or destroy any document, material, or software which contains the aforesaid Confidential Information, delete such Confidential Information from any memory devices and cease to use such Confidential Information.
 - 7.2 Both Parties agree that this Article shall continue to be valid after this agreement is revised and terminated.
-

8. Notice

Unless a written notice is given to change the address, all communications with respect to this Agreement shall be delivered in person, or by registered or prepaid mail, or by generally accepted courier service, or by tax, to the addresses designated by the other Party from time to time.

9. Applicable Law and Dispute Resolution

- 9.1 The execution, validity, performance and interpretation of this Agreement shall be governed by PRC law.
- 9.2 Should any disputes arise in connection with the performance and interpretation of this Agreement, the Parties shall seek to resolve such disputes through friendly negotiation. If such dispute is not so resolved, either Party may submit it to the China International Economic and Trade Arbitration Commission for arbitration in accordance with its then effective arbitration rules. The place of arbitration shall be Beijing. The language of the arbitration shall be English. The arbitration award shall be final and binding on the Parties. This article shall survive the termination or expiry of this Agreement.
- 9.3 During the arbitration, the Parties shall continue to perform any provisions which are not related to the matter under arbitration.

10. Force Majeure

- 10.1 Force majeure means any event which is unforeseeable or is beyond the reasonable control of the affected Party and cannot be prevented despite reasonable care, including without limitation governmental actions, forces of nature, fires, explosions, storms (snow), floods, earthquakes, tides, lightning or war. However, in no case may a lack of credit, financing or funds be deemed an event beyond the reasonable control of a Party. A Party affected by force majeure and asserting exemption from any obligations under this Agreement shall notify the other Party of such circumstances as soon as possible and shall promptly notify the other Party of the necessary steps to be taken by it in order to resume its performance of such obligations and shall resume the performance of its obligations under this Agreement.
- 10.2 Provided that a Party affected by a Force Majeure Event has used its reasonable and practicable efforts to perform this Agreement and overcome such Force Majeure Event, such Party shall not be held liable for its failure to perform its obligations hereunder to the extent that such performance of its obligations has been delayed or impeded by such Force Majeure Event. Upon the cessation of a Force Majeure Event, the affected Party shall immediately resume its performance of this Agreement.
-

11. Miscellaneous

- 11.1 Any amendment or supplement to this Agreement may be effected only by written instrument executed by each of the Parties.
- 11.2 All attachments hereto shall have the same legal force and effect as this Agreement.
- 11.3 Without the prior written consent of the Lender, the Borrower shall not transfer its rights and/or obligations hereunder to any third party.
- 11.4 Any provision hereof held invalid or unenforceable in accordance with the provisions of applicable laws and regulations shall be deemed removed from this Agreement and voided, as if such provision had never been contained herein, but the rest of the provisions of this Agreement shall remain in force and effect. The Parties shall replace such removed provision with a lawful and valid provision acceptable to the Lender.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized representatives on the date first indicated above.

Lanting HuiTong Technologies Co., Ltd.(Company Seal)

By: /s/ Jian He
Authorized Representative: Jian He

Jian He

Signature: Jian He

Declaration of Trust Schedule

The declaration of trust listed below executed by certain employees of the Company are identical in all material respects. A copy of the declaration of trust executed by Mr. Qianneng Fu is filed as Annex A to the Exhibit 4.23.

1. Declaration of trust executed by Mr. Qianneng Fu on February 24, 2020 as to Light Xiao Limited;
 2. Declaration of trust executed by Mr. Zeqiang Sun on April 14, 2020 as to Light Square Limited;
 3. Declaration of trust executed by Mr. Zeqiang Sun on April 14, 2020 as to Fashion Easy-go International Trading Co., Limited; and
 4. Declaration of trust executed by Mr. Jian He on July 22, 2019 as to Light Linnet Limited;
-

Annex A

DECLARATION OF TRUST

I, the undersigned, hereby solemnly and sincerely declare as follows:-

1. That the 10,000 share now standing in my name in the books of Light Xiao Limited (hereinafter called "the Share") does not belong to me but to Light In The Box Limited of Room 705&706, 7/F, China Insurance Group Building, No. 141 Des Voeux Road, Central, Hong Kong (hereinafter called "the Beneficial Owner" which expression shall include its successors in title and assigns).

2. That I hold the Share upon trust for the Beneficial Owner and I undertake to transfer and deal, in all respects, and to pay the Share and any dividends, interest and other benefits thereon and accretions thereto in such manner as the Beneficial Owner shall from time to time direct and I further undertake that I will at the request of the Beneficial Owner attend by virtue of being the registered holder of the Share and will vote at any such meetings in such manner as directed by the Beneficial Owner.

IN WITNESS whereof this Declaration was executed this 24th day of Feb, 2020.

SIGNED SEALED and Delivered by: Qianneng Fu

SUBSIDIARIES OF THE REGISTRANT

Subsidiaries	Place of Incorporation
LITB, Inc	Delaware, United States
Lanting International Holding Limited	Hong Kong
LightInTheBox Electronics Ltd.	Hong Kong
LightInTheBox Europe Ltd.	Hong Kong
LightInTheBox International Logistic Co., Limited	Hong Kong
Light In The Box Asia Limited	Hong Kong
Light In The Box Limited	Hong Kong
Light Square Limited	Hong Kong
Ezbuy Holdings limited	Hong Kong
LITB Netherlands B.V.	Netherlands
LITB Poland s.p.	Poland
Lightinthebox Trading (Shenzhen) Co., Ltd.	PRC
Wuhan Lightinthebox Cross-border E-commerce Co., Ltd.	PRC
Light In The Box (Chengdu) Technology Co., Limited	PRC
Light In The Box (Suzhou) Trading Co., Limited	PRC
Qianhai Xuyi Information Technology (Shenzhen) Company Ltd	PRC
Ezbuy Holding Co., Ltd	Cayman Islands
Ching International Service PTE.LTD	Singapore
Avant E-Commerce Service PTE.LTD	Singapore
Ching International Service (Malaysia) SDN.BHD	Malaysia
Avant Ecommerce Malaysia SDN.BHD	Malaysia
Ezbuy (Thailand) Co., Ltd	Thailand
PT ezbuy Holdings Indonesia	Indonesia
Variable Interest Entities	
Shenzhen Lanting Huitong Technologies Co., Ltd.	PRC
Beijing Lanting Gaochuang Technologies Co., Ltd.	PRC
Shenzhen Xuyi International Logistics Company Limited	PRC
Chongqing Xuyi E-Commerce Company Limited	PRC
Jiaxing Xuyang Logistics Company Limited	PRC
Subsidiary of Variable Interest Entity	
Shanghai Ouku Network Technologies Co., Ltd.	PRC

**Certification by the Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jian He, certify that:

1. I have reviewed this annual report on Form 20-F of LightInTheBox Holding Co., Ltd.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this annual report;
4. The company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
 - (d) Disclosed in this annual report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 1, 2020

By: /s/ Jian He
Name: Jian He
Title: Chief Executive Officer

Certification by the Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Wenyu Liu, certify that:

1. I have reviewed this annual report on Form 20-F of LightInTheBox Holding Co., Ltd.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this annual report;
4. The company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
 - (d) Disclosed in this annual report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 1, 2020

By: /s/ Wenyu Liu
Name: Wenyu Liu
Title: Acting Chief Financial Officer

**Certification by the Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of LightInTheBox Holding Co., Ltd. (the "Company") on Form 20-F for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jian He, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 1, 2020

By: /s/ Jian He

Name: Jian He

Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of LightInTheBox Holding Co., Ltd. (the "Company") on Form 20-F for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Wenyu Liu, acting chief financial officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 1, 2020

By: /s/ Wenyu Liu
Name: Wenyu Liu
Title: Acting Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No.333-191788, No. 333-201100 and No. 333-232411 on Form S-8 and Registration Statement No. 333-212007 on Form F-3 of our report dated March 28, 2018 (April 29, 2019 as to Note 2(f) and Note 23), relating to the financial statements of LightInTheBox Holding Co., Ltd., appearing in this Annual Report on Form 20-F for the year ended December 31, 2019.

/s/Deloitte Touche Tohmatsu Certified Public Accountants LLP
Beijing, the People's Republic of China
May 1, 2020

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
LightInTheBox Holding Co., Ltd.:

We consent to the incorporation by reference in the registration statements No. 333-191788, 333-201100 and 333-232411 on Form S-8, and No. 333-212007 on Form F-3 of LightInTheBox Holding Co., Ltd. of our report dated April 29, 2019, with respect to the consolidated balance sheet of LightInTheBox Holding Co., Ltd. as of December 31, 2018, the related consolidated statements of operations, comprehensive loss, shareholders' equity / (deficit), and cash flows for the year then ended, and the related notes (collectively, the consolidated financial statements), which report appears in the December 31, 2019 annual report on Form 20-F of LightInTheBox Holding Co., Ltd..

Our report refers to a change in the method of accounting for revenue recognition in 2018.

/s/ KPMG Huazhen LLP

Beijing China
May 1, 2020

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statements (Form S-8 No. 333-191788 and 333-201100) pertaining to the Amended and Reinstated 2008 Share Incentive Plan of LightInTheBox Holding Co., Ltd.,
 - (2) Registration Statement (Form S-8 No. 333-232411) pertaining to the Amended and Reinstated 2019 Share Incentive Plan of LightInTheBox Holding Co., Ltd., and
 - (3) Registration Statement (Form F-3 No. 333-21200) pertaining to the proposed sale from time to time by the shareholders of LightInTheBox Holding Co., Ltd.;
- of our report dated May 1, 2020, with respect to the consolidated financial statements of LightInTheBox Holding Co., Ltd. included in this Annual Report (Form 20-F) for the year ended December 31, 2019.

/s/ Ernst & Young Hua Ming LLP

Ernst & Young Hua Ming LLP
Shanghai, the People's Republic of China
May 1, 2020



31/F, Central Tower, No.5 Xiancun Road,
Tianhe District, Guangzhou, Guangdong, PRC; Postcode: 51000
Tel: (8620) 85656282 Fax: (8620) 85656281
<http://www.gdlianyue.com>

May 1, 2020

To: LightInTheBox Holding Co., Ltd.

Floor 5, Building 2, Yaxin Science & Tech Park
No.399 Shengxia Road
Pudong New Area, 201203 Shanghai
People's Republic of China

Dear Sirs /Madams,

We consent to the reference to our firm under the headings “Item 3. Key Information-D. Risk Factors,” “Item 4. Information on the Company-B. Business Overview-Regulation,” “Item 4. Information on the Company-C. Organizational Structure”, “Item 6. Directors, Senior Management and Employees — B. Compensation” and “Item 10. Additional information-E. Taxation” in LightInTheBox Holding Co., Ltd.’s Annual Report on Form 20-F for the year ended December 31, 2019, which will be filed with the Securities and Exchange Commission in the month of May 2020.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully,

/s/Guangdong Lianyue Law Firm

Guangdong Lianyue Law Firm

Our ref DLK/665661-000001/16547173v1
Direct tel +852 2971 3006
E-mail derrick.kan@maples.com

LightInTheBox Holding Co., Ltd.
Floor 5, Building 2
Yaxin Science & Tech Park
No.399 Shengxia Road
Pudong New Area
Shanghai, 201203
People's Republic of China

29 April 2020

LightInTheBox Holding Co., Ltd.

We have acted as legal advisors as to the laws of the Cayman Islands to LightInTheBox Holding Co., Ltd., an exempted company with limited liability incorporated in the Cayman Islands (the "**Company**"), in connection with the filing by the Company with the United States Securities and Exchange Commission of an annual report on Form 20-F for the year ended 31 December 2019.

We hereby consent to the reference of our name under the heading "Item 10. Additional Information E. Taxation — Cayman Islands" in the Form 20-F.

Yours faithfully

/s/ Maples and Calder (Hong Kong) LLP

Maples and Calder (Hong Kong) LLP

May 1, 2020

Securities and Exchange Commission
Washington, D.C. 20549

Ladies and Gentlemen:

We were previously principal accountants for LightInTheBox Holding Co., Ltd. (the “Company”) and, under the date of April 29, 2019, we reported on the consolidated financial statements of the Company as of and for the year ended December 31, 2018. On November 20, 2019, we were dismissed. We have read the Company’s statements included under Item 16F of its December 31, 2019 annual report on Form 20-F dated May 1, 2020, and we agree with such statements, except that:

(1) We are not in a position to agree or disagree with the Company’s statements that effective from November 20, 2019, the Company engaged Ernst & Young Hua Ming LLP, or E&Y, as the independent registered public accounting firm, and the change was approved by the audit committee of the board.

(2) We are not in a position to agree or disagree with the Company’s statement that during each of the year ended December 31, 2017 and 2018 and the subsequent period prior to the engagement of E&Y regarding (i) the application of accounting principles to a specific transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company’s consolidated financial statements, and neither a written report nor oral advice was provided to the Company that E&Y concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing, or financial reporting issue, (ii) any matter that was the subject of a disagreement pursuant to Item 16F(a)(1)(iv) of the instructions to Form 20-F, or (iii) any reportable event pursuant to Item 16F(a)(1) (v) of the instructions to Form 20-F.

Very truly yours,

/s/ KPMG Huazhen LLP
