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**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, 2021**

**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 11, Shanghai KAISA Financial Center  
No.1188 Minsheng Road, Pudong New Area,  
Shanghai, 200135 People's Republic of China  
(Address of principal executive offices)**

**Jian He, Chief Executive Officer**

**Floor 11, Shanghai KAISA Financial Center, No.1188 Minsheng Road, Pudong New Area,  
Shanghai, 200135 Telephone: +(86-21) 6877-2231 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:

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

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

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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: 226,080,381 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;
- “EU” are to the European Union;
- “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;
- “UK” are to United Kingdom;
- “VIE” are to variable interest entity;
- “we,” “us,” “our company” and “our” are to LightInTheBox Holding Co., Ltd., together with its consolidated subsidiaries as a consolidated entity, unless the context requires otherwise; 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 RMB6.3726 to \$1.00, the noon buying rate on December 31, 2021 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 March 31, 2022, the noon buying rate for Renminbi was RMB6.3393 to \$1.00.

The consolidated financial statements include the financial statements of the Company, its subsidiaries and VIEs. 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**

**Unwinding the VIE arrangements**

To mitigate the uncertainties in our corporate structure and increase control on our operating entities, we have started to transfer our VIEs to wholly-owned entities and unwind the VIEs arrangements that were intended to support the operations of our PRC subsidiaries, which were no longer in operation. In 2021, we closed companies of two dormant VIEs, and the shares in relation to four of our VIEs were transferred to our wholly-owned entities while the related companies remained as our subsidiaries in the Group. See “Item 4. Information on the Company - C. Corporate Structure.” As a result, the contractual arrangements between our wholly-owned entities and the relevant VIEs were terminated, which includes Exclusive and Technical Support and Consulting Service Agreements, Powers of Attorney, Exclusive Option Agreements, Loan Agreements, Share Pledge Agreements and Spousal Consent Letters.

As of the date of this Annual Report, we had VIE arrangements with two remaining VIE entities, namely, Chongqing Ruizhihe and Lanting Gaochuang. For the year ended December 31, 2021, we generated aggregate revenue of approximately US\$790,000 from our VIE entities, representing less than 0.2% of our total revenue of the same year.

**A. [Reserved]**

**B. Capitalization and Indebtedness**

Not Applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not Applicable.

**D. Risk Factors**

**Summary of Risk Factors**

An investment in our capital stock involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information included in this annual report, before making an investment decision. If any of the following risks actually occurs, our business, prospects, financial condition or results of operations could suffer. In that case, the trading price of our capital stock could decline, and you may lose all or part of your investment. Below please find a summary of the principal risks we face.

- Any catastrophe, including outbreaks of health pandemics and other extraordinary events, could severely disrupt our business operations.
- We face a number of challenges in the operation and expansion of our business.
- The online retail industry is intensely competitive and we may not compete successfully against new and existing competitors, which may materially and adversely affect our results of operations.

- Our failure to quickly identify and adapt to changing industry conditions may have a material and adverse effect on our business, financial condition and results of operations.
- 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 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.
- Any failure to manage our growth or execute our strategies effectively may materially and adversely affect our business and prospects.
- We have incurred net losses since our inception and experienced net current liabilities and negative cash flow from operating activities in the past. We may continue to incur net losses and experience net current liabilities and negative cash flow from operating activities and, as a result, we may need to obtain additional capital in the future.
- Products manufactured by our suppliers may be defective or inferior in quality or infringe on the intellectual property rights of others, which may materially and adversely affect our business and our reputation.
- We 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.

### **Risks Related to Our Business and Industry**

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

Our business could be materially and adversely affected by the outbreak of pandemics. Any occurrence of pandemic diseases or other adverse public health developments 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 particular, the global outbreak of COVID-19 has created a negative impact on global economy and our business in certain areas. For instance, COVID-19 caused certain delay in the delivery schedule of products purchased through our online platform, and disruption to our customers, supply chains and staff, and further to our global operations. We are unable to accurately and comprehensively forecast the potential impact of the COVID-19 outbreak in the future. Should COVID-19 have a continued adverse effect on our operation and transaction volume, macro-economy in global economy, our business, financial condition and results of operations may be materially and adversely affected.

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 Ezbuy 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 to 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. For example, we experienced certain cost pressure and challenging global economic conditions in the third quarter of 2021, which caused our results to be materially affected by external factors including higher than anticipated digital advertising cost, new European laws on VAT and market regulation on certain products, and changes in consumer sentiment and spending.

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.

***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. 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 which we may become subject to.

As we continue to offer products around the world, we are regularly subject to actual and threatened claims, litigation, reviews, investigations, and other proceedings, including proceedings by governments and regulatory authorities, involving a wide range of issues, including intellectual property infringement claims, contract disputes involving third-party suppliers and consumers of our platforms, consumer protection claims, claims relating to data and privacy protection, employment related cases, cross-border payment and settlement disputes and other matters in the ordinary course of our business. For example, in 2021, we received a notice from a resident in California stating that the warning label of our products did not sufficiently address potential health risks, pursuant to newly implemented local law. We believe such lawsuits are without merit, however, there is uncertainty regarding the timing or ultimate resolution of these lawsuits and legal proceedings in which we are involved. In addition, although we impose contractual terms with suppliers that are intended to prohibit sales of products that might subject us to such claims, we may not be able to detect, enforce, or collect sufficient damages for breaches of such agreements. Also, as a public company, we might subject to securities class actions. We anticipate that we will continue to be subject to legal, regulatory and/or administrative proceedings in the future incidental to our ordinary course of business. There can be no assurance that we will be able to prevail in our defense or reverse any unfavorable judgment, ruling or decision against us. We may also decide to enter into settlements that may adversely affect our results of operations and financial condition. The litigation process may utilize a material portion of our cash resources and divert management's attention away from the day-to-day operations of our company, all of which could harm our business.

As we continue to maintain an international operation, we are subject to litigation or regulatory proceedings in various jurisdictions including EU, UK, US and Singapore. We are required to maintain a representative office for our operations in Europe and there is no guarantee that our agreements with our representatives will be sufficient to satisfy the regulatory requirements. In addition, we may be prohibited by laws, regulations or government authorities in one jurisdiction from complying with subpoenas, orders or other requests from courts or regulators of other jurisdictions. Our failure or inability to comply with the subpoenas, orders or requests could subject us to fines, penalties or other legal liability, which could have a material adverse effect on our reputation, business, results of operations and the trading price of our ordinary shares and/or ADSs.

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.

***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”.

***We have incurred net losses since our inception and experienced net current liabilities and negative cash flow from operating activities in the past. We may continue to incur net losses and experience net current liabilities and 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 \$16.1 million in 2019, and income from operation of \$3.9 million in 2020 and loss from operations of \$16.1 million in 2021, respectively, and we may incur losses in the future. We experienced net current liabilities of \$12.0 million and \$26.0 million as of December 31, 2020 and 2021, respectively, and we may continue to experience net current liabilities in the future. We generated net cash inflow of \$1.9 million, \$29.3 million from operating activities in 2019 and 2020, respectively, and experienced negative cash flow of \$1.8 million from operating activities in 2021, and we may experience negative cash flows 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, 2021, we had approximately \$59.6 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, 2021, we sourced our products from around 1,000 selected active suppliers mainly from China. Some of the products provided by our suppliers may be defective or of inferior quality. Such products may also infringe on the intellectual property rights of third parties. Defective, inferior or infringing products may adversely affect consumer perceptions of our company or the products we sell, which may lead to negative reviews that could harm our reputation. Although we have adopted internal policies and guidelines during our procurement process to make sure our suppliers and products that 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 one pending intellectual property legal proceeding. We estimate the associated liabilities of the legal proceeding to be no more than 100,000 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 torts. 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 25 languages on google shopping platform, also manage millions of keywords in 25 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 the shipping of 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, except for in Singapore, where we manage the delivery by our employees. Interruptions to or failures in these third parties' shipping services could prevent the timely or successful delivery of our products or the products of our 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 our customers in which we provide logistics services to in a timely manner or such products are 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.***

As we operate our cross-border e-commerce business in Europe, America and Southeast Asia, we are subject to consumer protection and data breach laws and regulations of EU, UK, USA and Singapore. Countries where we have business operations have implemented laws and regulations to provide consumer protection in data security and privacy. In particular, states in the U.S. where we operate our business such as California has implemented laws to prevent any unfair, deceptive, or abusive acts or practices in commercial activities. EU data privacy law, the GDPR, also imposes strict rules on commercial use of personal data, data storage, data profiling and transfer personal data to countries outside the EU, including the U.S., and permits data protection authorities to impose large penalties for violations of the GDPR, including potential fines of up to €20 million or 4% of annual global revenues, whichever is greater. We deal with large amount of customer data in our daily operations due to our online sales business. Compliance with these requirements might require us to take measures other than disclosing the collection, use and disclosure of personal data on our website, and the compliance with such laws and regulations could increase our compliance costs and adversely affected our business and financial results. In addition, we might be subject to judicial proceedings in these areas, which could materially negatively and adversely impact our business.

In addition, 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, 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 customers' 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 consumers' confidence, employment levels, interest rates, tax rates, consumer debt levels and fuel and energy costs, could reduce consumer spending or change in consumers' 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. In recent years, the U.S. administration 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, since 2018, the U.S. administration has imposed various tariffs on certain good imported from China.

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.

***Increasing focus with respect to environmental, social and governance matters may impose additional costs on us or expose us to additional risks.***

Governments and public advocacy groups have been increasingly focused on environment, social and governance (“ESG”) issues in recent years, making our business more sensitive to ESG issues and changes in governmental policies and laws and regulations associated with environment protection and other ESG-related matters. Investor advocacy groups, certain institutional investors, investment funds, and other influential investors are also increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. Regardless of the industry, increased focus from investors and governmental entities on ESG and similar matters may hinder access to capital, as investors may decide to reallocate capital or to not commit capital as a result of their assessment of a company’s ESG practices. Any ESG concern or issue could increase our regulatory compliance costs. If we do not adapt to or comply with the evolving expectations and standards on ESG matters or are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, we may suffer from reputational damage and the business, financial condition, and the price of our ADSs could be materially and adversely effected.

***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 that 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 down response times, degrade customer service, increase shipping and handling costs or delay order fulfillment, which may individually or collectively affect our business, reputation, financial condition and results of operations materially and adversely. 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.***

The imposition of indirect taxes, such as sales and use tax, value-added tax, goods and services tax, and business tax is a complex and evolving issue. Many of the statutes and regulations that govern these taxes were established before the expansion of the Internet commerce. In many cases, it is not clear how existing statutes apply to e-commerce. 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 indirect 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, place 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, 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. Although our products are sold to customers in over 140 countries and territories, we still have relatively limited experience in many countries in the world. It is costly to establish, develop and maintain international operations, 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.

In addition, our expansion into China may suffer due to uncertainties and various factors affecting the development of online retail in China. For example, the use and penetration of Internet and broadband may decline, consumers' 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 costs and expenditures 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 and we were not be able to enforce these non-compete provisions due to uncertainties in legal proceedings, our business, financial conditions and results of operations may be adversely affected.

***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, and sales may be lower in the first quarter due to the Lunar New Year holiday in China. 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, 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, Checkout 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, thus 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.

***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 investors' 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, 2019 included in our annual report on Form 20-F for 2019, we 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 have implemented measures and controls to mitigate the material weakness identified during 2019. If we fail to correct the material weaknesses or fail to discover and address any other material weaknesses, we 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. 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, we issued convertible promissory notes in connection with the Ezbuy acquisition, the conversion of such convertible promissory notes to ADSs has diluted 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.

***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.***

Our employees are mainly located in China and Singapore currently, but we sell our products to over 140 countries. We may be affected by numerous, and sometimes conflicting, legal and regulatory regimes, including: changes in tax rates and tax laws or their interpretations, 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 non-compliance 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 security and 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 of directors 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**

***Before we complete transitioning to direct control structure by closing our remaining VIE entities and transferring related shares to our wholly owned entities, we control and receive the economic benefits from the two remaining VIEs through the VIE Agreements, which have not been tested in a court of law and are subject to significant risks.***

Since January 1, 2021, we have been gradually transitioned to a direct control corporate structure by transferring related shares of the VIEs to our wholly owned entities. The VIEs were intended to serve the operation of our PRC websites but the websites were no longer in operation as we focused on consumer markets outside China. However, the transition is still in progress as we still have two remaining VIEs, Chongqing Ruizhihe and Lanting Gaochuang as of this report date, due to on-going contractual obligations that could not be transferred before the contracts expired. We control and receive the economic benefits of the two VIEs through certain contractual arrangements (the “VIE agreements”), which enables us to consolidate the financial results of the VIEs in our consolidated financial statements under U.S. GAAP, and the structure involves unique risks to investors.

The VIE structure provides contractual exposure to foreign investment in China-based companies where Chinese law prohibits direct foreign investment in the operating companies. As a result, our Ordinary Shares traded on the NYSE are shares of our offshore holding company and you may never directly hold equity interests in our two VIEs. In addition, the Chinese regulatory authorities could disallow our structure, which could adversely affect our business. Our contractual arrangements of Chongqing Ruizhihe and Lanting Gaochuang 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 uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements or cause us unable to assert contractual control rights over the assets of our PRC subsidiaries. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China.” In addition, 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 the PRC government determines that the contractual arrangements do not comply with PRC regulations, our business could be adversely affected. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China” for recent regulatory initiatives implemented by the relevant PRC government entities.

Although we have been advised by our PRC counsel, Hiways 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 Chongqing Ruizhihe and Lanting Gaochuang VIEs and their shareholders could breach their contractual arrangements with us by failing to operate our online retail business in an acceptable manner. 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.

In addition, our two remaining VIEs may be required to obtain various licenses or approvals. If the VIEs fail to obtain or maintain any of the requisite assets, licenses or approvals, their continued business operations in e-commerce 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 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. 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**

***The Chinese government exerts substantial influence over the manner in which we must conduct our business activities. We are currently not required to obtain approval from Chinese authorities to issue securities to foreign investors, however, if our subsidiaries or the holding company were required to obtain approval in the future and were denied permission from Chinese authorities to list on U.S. exchanges, we will not be able to continue listing on U.S. exchange, which would materially affect the interest of the investors.***

The Chinese government governs every sector of the Chinese economy through regulation and state ownership. Under the current government leadership, the government of the PRC has been pursuing reform policies which have adversely affected China-based operating companies whose securities are listed in the United States, with policies changes being made from time to time without sufficient notice. There are uncertainties regarding the interpretation and application of PRC laws and regulations, including, but not limited to, the laws and regulations governing our business, or the enforcement and performance of our contractual arrangements with borrowers in the event of the imposition of statutory liens, death, bankruptcy or criminal proceedings. Our ability to operate in China may be harmed by changes in its laws and regulations, including those relating to taxation, environmental regulations, land use rights, property and other matters. The central or local governments of these jurisdictions may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations. Accordingly, government actions in the future, including any decision not to continue to support recent economic reforms and to return to a more centrally planned economy or regional or local variations in the implementation of economic policies, could have a significant effect on economic conditions in China or particular regions thereof, and could require us to divest ourselves of any interest we then hold in Chinese properties.

Given recent statements by the Chinese government indicating an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers, any such action could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or become worthless.

Recently, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Severely Cracking Down on Illegal Securities Activities According to Law, or the Opinions, which was made available to the public on July 6, 2021. The Opinions emphasized the need to strengthen the administration over illegal securities activities, and the need to strengthen the supervision over overseas listings by Chinese companies. Effective measures, such as promoting the construction of relevant regulatory systems, will be taken to deal with the risks and incidents of China-concept overseas listed companies. As of the date of this annual report, we have not received any inquiry, notice, warning, or sanctions from PRC government authorities in connection with the Opinions.

On June 10, 2021, the Standing Committee of the National People's Congress of China, or the SCNPC, promulgated the PRC Data Security Law, which took effect in September 2021. The PRC Data Security Law imposes data security and privacy obligations on entities and individuals carrying out data activities, and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, and the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, illegally acquired or used. The PRC Data Security Law also provides for a national security review procedure for data activities that may affect national security and imposes export restrictions on certain data an information.

In early July 2021, regulatory authorities in China launched cybersecurity investigations with regard to several China-based companies that are listed in the United States. The Chinese cybersecurity regulator announced on July 2 that it had begun an investigation of Didi Global Inc. (NYSE: DIDI) and two days later ordered that the company's app be removed from smartphone app stores. On July 5, 2021, the Chinese cybersecurity regulator launched the same investigation on two other Internet platforms, China's Full Truck Alliance of Full Truck Alliance Co. Ltd. (NYSE: YMM) and KANZHUN LIMITED (Nasdaq: BZ).

As such, the Company's business segments may be subject to various government and regulatory interference in the provinces in which they operate. The Company could be subject to regulation by various political and regulatory entities, including various local and municipal agencies and government sub-divisions. The Company may incur increased costs necessary to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. Additionally, the governmental and regulatory interference could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless.

Furthermore, it is uncertain when and whether the Company will be required to obtain permission from the PRC government to list on U.S. exchanges in the future, and even when such permission is obtained, whether it will be denied or rescinded. Although the Company is currently not required to obtain permission from any of the PRC central or local government to obtain such permission and has not received any denial to list on the U.S. exchange, our operations could be adversely affected, directly or indirectly, by existing or future laws and regulations relating to its business or industry.

On December 24, 2021, the CSRC, together with other relevant government authorities in China issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), and the Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) ("Draft Overseas Listing Regulations"). The Draft Overseas Listing Regulations requires that a PRC domestic enterprise seeking to issue and list its shares overseas ("Overseas Issuance and Listing") shall complete the filing procedures of and submit the relevant information to CSRC. The Overseas Issuance and Listing includes direct and indirect issuance and listing. Where an enterprise whose principal business activities are conducted in PRC seeks to issue and list its shares in the name of an overseas enterprise ("Overseas Issuer") on the basis of the equity, assets, income or other similar rights and interests of the relevant PRC domestic enterprise, such activities shall be deemed an indirect overseas issuance and listing ("Indirect Overseas Issuance and Listing") under the Draft Overseas Listing Regulations. Therefore, the proposed listing would be deemed an Indirect Overseas Issuance and Listing under the Draft Overseas Listing Regulations. As such, the Company would be required to complete the filing procedures of and submit the relevant information to CSRC after the Draft Overseas Listing Regulations become effective.

We have been closely monitoring the development in the regulatory landscape in China, particularly regarding the requirement of approvals, including on a retrospective basis, from the CSRC, the CAC or other PRC authorities, as well as regarding any annual data security review or other procedures that may be imposed on us. If any approval, review or other procedure is in fact required, we are not able to guarantee that we will obtain such approval or complete such review or other procedure timely or at all. For any approval that we may be able to obtain, it could nevertheless be revoked and the terms of its issuance may impose restrictions on our operations and offerings relating to our securities.

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

The Chinese government may implement rules and regulations that influence our operations or may exert more influence on offerings conducted overseas and foreign investment in China-based issuers. In addition, the enforcement of laws and regulations in China can be implemented with little advance notice. In 2021, the PRC government initiated a series of regulatory actions and statements to regulate business operations in China with little advance notice, including cracking down on illegal activities in the securities market, enhancing supervision over China-based companies listed overseas, adopting new measures to extend the scope of cybersecurity reviews, and expanding the efforts in anti-monopoly enforcement.

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 the existing PRC laws, regulations, policies and possible new laws, regulations or policies relating to the Internet industry have created 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.

***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 the 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.

***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.

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 influence on capital investments or changes in tax regulations. In addition, in the past the PRC government has implemented certain measures, including interest rate increases, to adjust 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, any changes in China's foreign policies and political environment domestically or internationally, such as the occurrence of widespread social unrest, or a significant deterioration in its relations with its neighboring countries could negatively affect the Chinese economy and our 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, Euros and currencies other than Renminbi, collectively referred to as other currencies, while most costs and expenses are denominated in Renminbi. As a result, there are certain mismatches between our revenues in other currencies 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 other currencies, the cost of our products will become more expensive in other currency 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 other currencies may reduce our margins, reduce our competitiveness against retailers who source their products from suppliers with costs denominated in other currencies or render us unable to meet our costs.

The value of the Renminbi against 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 other currencies. Any significant fluctuations in the exchange rate between the Renminbi and other currencies 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 other currencies 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 liabilities 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. Jian He is a PRC domestic resident, holds interests in our company, and has 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 strategies. 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 Shanghai Light In The Box Information Technology Co., Limited ("Shanghai Lanting"), Shenzhen Light In The Box Information Technology Co., Limited ("Shenzhen Lanting"), Beijing Light In The Box Information Technology Co., Limited ("Beijing Lanting"), Light in the Box (Chengdu) Technology Co., Limited ("Chengdu Lanting"), Jiaxing Ruili Supply Chain Management Co., Limited ("Jiaxing Ruili"), Dongguan Herui Supply Chain Management Co., Limited ("Dongguan Herui"), Shenzhen Ruizhihe Supply Chain Management Co., Limited ("Shenzhen Ruizhihe") and Light In The Box Trading (Shenzhen) Co., Limited ("Shenzhen Lanting Jishi") (collectively, "our PRC subsidiaries"), which are 100% owned by Light In the Box Limited (Hong Kong), our wholly-owned subsidiary registered 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 our PRC subsidiaries 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 our PRC subsidiaries; (d) all other conditions and requirements under the Double Taxation Avoidance Arrangement shall be satisfied. Neither Light In The Box Limited 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 none of our PRC subsidiaries has paid dividends in the past and none 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 and 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. Our PRC subsidiaries and VIEs have not fully contributed to the employee benefit plans as required by applicable PRC regulations before 2020. 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, 2021, we were potentially subject to a maximum of \$3.6 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 (“SAIC”) (On March 21, 2018, the State Administration for Market Regulation, or the SAMR, was formally established, which integrates the responsibilities of the SAIC, General Administration of Quality Supervision, Inspection and Quarantine of the PRC (“AQSIQ”), State Food and Drug Administration, the pricing supervision and anti-monopoly law enforcement responsibilities of the National Development and Reform Commission, the anti-monopoly examination and law enforcement of undertaking concentration responsibilities of the Ministry of Commerce (“MOFCOM”) as well as the responsibilities of Anti-Monopoly Committee General Office of the State Council), 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 continued listing 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 continued listing 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 we do. 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 continued listing, 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.

***If the chops of our PRC subsidiaries and our VIEs are not kept safely, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised.***

In China, a company chop or seal serves as the legal representation of the company towards third parties even when unaccompanied by a signature. Each legally registered company in China is required to maintain a company chop, which must be registered with the local Public Security Bureau. In addition to this mandatory company chop, companies may have several other chops which can be used for specific purposes. The chops of our PRC subsidiaries and VIEs are generally held securely by personnel designated or approved by us in accordance with our internal control procedures. To the extent those chops are not kept safely, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised and those corporate entities may be bound to abide by the terms of any documents so chopped, even if they were chopped by an individual who lacked the requisite power and authority to do so. In addition, if the chops are misused by unauthorized persons, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve while distracting management from our operations.

***The auditor of our consolidated financial statements included in this annual report, like other independent registered public accounting firms operating in China, is not permitted to be subject to inspection by the Public Company Accounting Oversight Board (United States), or PCAOB, and consequently, you are deprived of the benefits of such inspection. In addition, various legislative and regulatory developments related to U.S.- listed China-based companies due to lack of PCAOB inspection and other developments due to political tensions between the United States and China may have a material adverse impact on our listing and trading in the U.S. and the trading prices of our ADSs.***

The auditors of our consolidated financial statements included in this annual report are registered with the PCAOB. Pursuant to laws in the United States, the PCAOB has authority to conduct regular inspections over independent registered public accounting firms registered with the PCAOB to assess their compliance with the applicable professional standards. The auditors are located in China, a jurisdiction which does not allow the PCAOB to conduct inspections without the approval of the Chinese authorities. As a result, we understand that our auditors are not currently inspected by the PCAOB.

In May 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the China Securities Regulation Commission, or the CSRC, and the Ministry of Finance, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by PCAOB, the CSRC or the Ministry of Finance in the United States and the PRC, respectively. The PCAOB continues to discuss with the CSRC, and the Ministry of Finance on joint inspections in the PRC of PCAOB-registered audit firms that provide auditing services to Chinese companies that trade on U.S. stock exchanges.

On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. However, it remains unclear what further actions the SEC and the PCAOB will take to address the problem. On April 21, 2020, the SEC and the PCAOB issued another joint statement reiterating the greater risk of insufficient disclosures from companies in many emerging markets, including China, compared to those from U.S. domestic companies. In discussing the specific issues related to these greater risks, the statement again highlighted the PCAOB's inability to inspect audit work and practices of accounting firms in China with respect to U.S. reporting companies.

On June 4, 2020, the U.S. President issued a memorandum ordering the President's Working Group on Financial Markets, or the PWG, to submit a report to the President within 60 days of the memorandum that includes recommendations for actions that can be taken by the executive branch and by the SEC or PCAOB on Chinese companies listed on U.S. stock exchanges and their audit firms. On August 6, 2020, the PWG released the report and recommended the SEC implement five recommendations to address companies from jurisdictions that do not provide the PCAOB with sufficient access to fulfill its statutory mandate (the "NCJs"). In particular, the PWG recommends that enhanced listing standards be applied to companies from NCJs for seeking initial listing and remaining listed on U.S. stock exchanges. Under the enhanced listing standards, if the PCAOB does not have access to work papers of the principal audit firm located in a NCJ for the audit of a U.S.-listed company as a result of governmental restrictions, the U.S.-listed company may satisfy this standard by providing a co-audit from an audit firm with comparable resources and experience where the PCAOB determines that it has sufficient access to the firm's audit work papers and practices to inspect the co-audit. The report permits the new listing standards to provide for a transition period until January 1, 2022 for listed companies, but would apply immediately to new listings once the necessary rulemakings and/or standard-setting are effective. After this transition period, if currently listed companies were unable to meet the enhanced listing standards, then they would become subject to securities exchange rules and processes that could lead to possible de-listing if not cured, deregistration from the SEC and/or other risks, which may materially and adversely affect the market price and liquidity of such companies' securities, or effectively terminate their trading in the United States.

On May 20, 2020, the U.S. Senate passed the Holding Foreign Companies Accountable Act, or the HFCAA, which includes requirements similar to those in the EQUITABLE Act requiring the SEC to identify issuers whose audit reports are prepared by auditors that the PCAOB is unable to inspect or investigate because of restrictions imposed by non-U.S. authorities. The HFCAA would also require public companies on the SEC's list to certify that they are not owned or controlled by a foreign government and make certain additional disclosures on foreign ownership and control of such issuers in their SEC filings. The HFCAA was approved by the U.S. House of Representatives on December 2, 2020 and was signed into law by the U.S. President on December 18, 2020. The HFCAA would amend the Sarbanes-Oxley Act of 2002 to require the SEC to prohibit securities of any U.S.-listed companies from being listed on any of the U.S. securities exchanges, such as the New York Stock Exchange, or traded "over-the-counter," if the registrant's financial statements have been audited by an accounting firm branch or office that is not subject to PCAOB inspection for a period of three consecutive years beginning in 2021.

On March 24, 2021, the SEC adopted interim final rules to implement certain disclosure and documentation requirements of the HFCAA, which became effective on May 5, 2021. The requirements of annual report for foreign issuers have been updated by the SEC to reflect the disclosure requirements, which require disclosure in a foreign issuer’s annual report regarding the audit arrangements of, and governmental influence on, such foreign issuer. A foreign issuer would be required to comply with such disclosure requirement if the SEC identified it as having a “non-inspection” year. On May 13, 2021, the PCAOB proposed a new rule to implement the HFCAA, which was subsequently adopted by PCAOB on September 22, 2021 and approved by the SEC on November 5, 2021. Among other things, the proposed rule provides a framework for the PCAOB to determine, under the HFCAA, whether it is unable to inspect or investigate completely registered public accounting firms located in a foreign jurisdiction because of a position taken by one or more authorities in that jurisdiction. The proposed rule also established the approach, evaluation factors, required documents and information, form, public availability, effective date and duration of such determinations and the process by which the board of the PCAOB can modify or vacate its determinations. On June 22, 2021, the U.S. Senate passed a bill and if eventually signed into law, would reduce the number of consecutive non-inspection years required for triggering the prohibitions under the HFCA Act from three years to two. The SEC may propose additional rules or guidance that could impact us if our auditor is not subject to the PCAOB inspection. The SEC have implemented some of the concepts recommended in the PWG report published in 2013, which were more stringent than the HFCAA. For example, if a company was not subject to the PCAOB inspection, the report recommended that the transition period before a company would be delisted would end on January 1, 2022. On December 2, 2021, the SEC issued amendments to finalize the interim final rules adopted in March 2021, and established procedures to identify and prohibit the trading of the securities of certain registrants under the HFCAA. On December 16, 2021, the PCAOB issued a report on its determination that it is unable to inspect or investigate completely PCAOB-registered public accounting firms headquartered in China and in Hong Kong because of positions taken by PRC and Hong Kong authorities in those jurisdictions. The PCAOB has made such determination as mandated under the Holding Foreign Companies Accountable Act. Pursuant to each annual determination by the PCAOB, the SEC will, on an annual basis, identify issuers that have used non-inspected audit firms and thus are at risk of such suspensions in the future. Since our auditor is located in China, a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities, our auditor is not currently inspected by the PCAOB. The lack of the inspections prevents the PCAOB from fully evaluating audits and quality control procedures of the auditors of our consolidated financial statements included in this document and our annual reports on Form 20-F filed with the SEC. As a result, we and investors in our ordinary shares are deprived of the benefits of such PCAOB inspections, which could cause investors and potential investors in our stock to lose confidence in our reported financial information and the quality of our financial statements.

The enactment of Act and any additional rulemaking efforts to increase U.S. regulatory access to audit information in China could cause investor uncertainty for affected SEC registrants, including us, the market price of our ADSs could be materially adversely affected, and our ADSs could be delisted if we are unable to meet the PCAOB inspection requirement in time. Furthermore, there has been media reports on deliberations within the U.S. government regarding potentially limiting or restricting China-based companies from accessing U.S. capital markets. If any such deliberations were to materialize, the resulting legislation may have material and adverse impact on the stock performance of China-based issuers listed in the United States.

## **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\$0.58 to US\$23.38 per ADS and the last reported trading price on March 31, 2022 was US\$1.05 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 and March 2020, we received letters 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.

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.

***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, 2021, we had 226,080,381 ordinary shares outstanding, including 116,558,948 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 depositary will not offer those rights to ADS holders unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act of 1933, as amended, or the Securities Act, or exempt from registration under the Securities Act with respect to all holders of ADSs. We are under no obligation to file a registration statement with respect to any such rights or underlying securities or to endeavor to cause such a registration statement to be declared effective. In addition, we may not be able to take advantage of any exemptions from registration under the Securities Act. Accordingly, holders of the ADSs may be unable to participate in our rights offerings and may experience dilution in their holdings as a result.

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

Your ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deem it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

***You may face difficulties in protecting your interests and your ability to protect your rights through the U.S. federal courts may be limited, because we are incorporated under Cayman Islands law, primarily operate our business from China 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 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 Act (As Revised) 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 difficulties 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 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 2021. 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 changes. 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 2020 or that we will not be a PFIC for 2021 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 and provisions that 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.

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.

***It may be difficult for overseas regulators to conduct investigation or collect evidence within China.***

Shareholder claims or regulatory investigation that are common in the United States generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the United States may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase difficulties faced by you in protecting your interests.

## **ITEM 4. INFORMATION ON THE COMPANY**

### **A. History and Development of the Company**

We were founded in June 2007 and operated our business through Light In The Box Limited. In March 2008, we incorporated LightInTheBox Holding Co., Ltd., an exempted company incorporated under the laws of the Cayman Islands, 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.”

## 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 Smart Commerce Group Ltd. 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.

## Acquisition of Ezbuy

To supplement our growth, on November 8, 2018, we announced our entry into a share purchase agreement to acquire Ezbuy Holding Co., Ltd., or Ezbuy, in the form of convertible promissory notes, or the Notes. Subsequently, from December 2019 to March 2020, we issued a total of 50,699,442 ordinary shares and 19,091,837 ADSs (representing 38,183,674 ordinary shares) in exchange of the Notes held by Ezbuy's shareholders.

Ezbuy is a Singapore-based cross-border e-commerce company. Founded in 2010, Ezbuy 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. 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.

We currently conduct our businesses primarily through the following wholly owned subsidiaries and affiliated entities. We expect to close several other dormant entities.

- Light In The Box Limited and Ezbuy Holding Limited, our wholly owned subsidiaries incorporated in Hong Kong, that primarily engage in product sourcing, marketing and the operation of our websites and mobile applications and the sale of our products;
- Shanghai Lightinthebox Information Technology Co., Limited (“Shanghai Lanting”), Beijing Lightinthebox Information Technology Co., Limited (“Beijing Lanting”), Shenzhen Lightinthebox Information Technology Co., Limited (“Shenzhen Lanting”), and Light In The Box (Chengdu) Technology Co., Limited (“Chengdu Lanting”), our wholly owned subsidiaries incorporated in the PRC, that primarily engage in providing supplier chain management, research and development, customer service and marketing services;
- Jiaxing Ruili Supply Chain Management Co., Limited (“Jiaxing Ruili”), Dongguan Herui Supply Chain Management Co., Limited (“Dongguan Herui”) and Shenzhen Ruizhihe Supply Chain Management Co., Limited (“Shenzhen Ruizhihe”), our wholly owned subsidiaries incorporated in the PRC, that primarily engage in warehousing and fulfillment services;
- 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, and Avant E-commerce Malaysia SDN. BHD., our wholly owned subsidiaries incorporated under the laws of Malaysia, that primarily engage in marketing and customer service in Southeast Asia;
- LITB Netherlands B.V., our wholly owned subsidiary incorporated in the Netherlands that primarily engages in marketing in Europe;
- Lanting International Holding Limited and LightInTheBox International Logistic Co., Limited, our wholly owned subsidiaries incorporated in Hong Kong that primarily focus on our global distribution network; and

- Hong Kong Wholesale Companies include Light Square Limited, Light Xiao Limited and Fashion Easy-go International Trading Co., Limited, our subsidiaries incorporated under the laws of Hong Kong in the name of our employees who hold such shares on trust for the benefit of Light In The Box Limited, that primarily engage in maintaining our stores on other online platforms and also maintaining our global distribution network.

Our principal executive offices are located at Floor 11, Shanghai KAISA Financial Center, No.1188 Minsheng Road, Pudong New Area, Shanghai, 200135 People's Republic of China. Our telephone number at this address is +(86-21) 6877-2231. 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 +1 345 769 9372.

The SEC maintains a website at [www.sec.gov](http://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](http://www.lightinthebox.com), [www.miniinthebox.com](http://www.miniinthebox.com), [www.ezbuy.sg](http://www.ezbuy.sg) and our other websites as well as mobile applications, which are available in 25 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 strive to source high quality products directly from competitive manufacturers in the strongest supply ecosystems mainly 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 in shorter time to our customers.

We target products that can offer our customers better choices and savings, such as fast fashion and other general merchandise product category. 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.

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

We partner with global online marketing platforms, such as Google, Facebook and other social media, to reach our customers. We accept payments through all major credit cards and electronic payment platforms, such as PayPal, Stripe, Checkout and Global Collect, and we deliver our goods through different international couriers, including DHL, UPS, FEDEX, EMS and other international couriers.

### **Our Websites and Mobile Applications**

We operate our business primarily through [www.lightinthebox.com](http://www.lightinthebox.com), [www.miniinthebox.com](http://www.miniinthebox.com) and [www.ezbuy.sg](http://www.ezbuy.sg), offering apparel and other general products. Our websites are currently available in 25 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. Our product offerings include:

- *Apparel.* This category includes fast fashion and customized, special occasion apparel.
- *Other general merchandise.* This category includes small accessories and gadgets, home garden, toys and hobbies, 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 and efficiency, 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 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 apparel sales accounted for 32.4%, 41.3%, and 61.4% of our total revenues in 2019, 2020 and 2021, respectively.

### **Our Relationship with Suppliers**

We source majority of our products directly from factories in China. We have a comprehensive supplier qualification system and have around 1,000 selected active suppliers accordingly. 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, thus 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 3 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 74.5%, 64.6% and 61.5% of our total cost of product sales in 2019, 2020 and 2021, 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 that 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. 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, Checkout 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.

#### ***Order Fulfillment***

We have established warehouses in Jiaxing, Zhejiang Province and Dongguan, Guangdong Province in China and Singapore. In total, our warehouses have the capacity to handle over 50,000 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 different delivery options to our customers, including expedited express, priority lines and international postal services. We partner with third party carriers in all regions except for in Singapore, where we manage the local delivery by our employees.

### **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 in Europe and North America, if the product is returned for quality issues, damage during shipping, failure to conform to specifications, allergic reactions. Customized apparel return requests are subject to additional restrictions due to the personalized nature of such products. For products sold through our [www.ezbuy.sg](#) 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, 2021, we had built a quality control department with approximately 15 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 prior to the 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 25 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 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 that 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 25 languages, and most of these representatives have overseas working experience.

We primarily provide customer services through electronic communications, including real-time online chat, e-mails and messages posted on our websites and mobile applications or through social media networks.

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 but correlates with other modules during the operation flow. 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, including PC websites, mobile websites and APPS, functions including user account management, website homepages, search functions, category browsing, product display pages, online shopping carts, payment and order management functions.
- *Back-end Modules.* Our back-end modules support our business operations, including our marketing system, campaign and user management system, product management system, order management system, warehouse management system, purchase management system, customer support system, and supplier portal (which is also connected to the ERP systems of many of our suppliers for product and order placement and tracking). Many of our back-end systems work and connect with each other, which ensure the complete atomization and transparency from order placement to the inspection, packaging and delivery of the products, with the corresponding reports and data available for tracking. Our BI systems can generate up-to-date inventory reports and purchase management system can automatically place customized orders to our manufacturers with the inventory data.

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, userflow and product placement and recommendation, 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. Additionally, we have currently established an independent system security team, and implemented a series of measures to enhance and strengthen the security of our system, including but not limited to the newly implemented risk control system, access to the hacker monitoring tool of the paid third parties, review of the data authorization, upgrade of the control process, regular security scan of the websites and conduct penetration test etc.

## **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](http://www.lightinthebox.com), [www.miniinthebox.com](http://www.miniinthebox.com), [www.ezbuy.sg](http://www.ezbuy.sg). We have in total 287 trademarks and service marks registered in China, the United States, European Union, Hong Kong. Our trademarks include Lightinthebox and MiniInTheBox. We also have 33 registered computer software copyrights in China and one registered copyright in the United States. We have two registered patents in the United States and two registered patents in China.

In addition to the protection of our intellectual property, we 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.

An increasing number of jurisdictions are legislating or have adopted laws that impose new taxes on companies engaged in online commerce or remote sales, and new tax regulations may subject us to additional sales and income taxes. New legislations 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.

The following sets forth a summary of the major rules and regulations that affect our business activities.

### ***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 consignors themselves or by customs brokers that have registered with the permission of the customs. The consignees, consignors 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 and contractual arrangements 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 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, 2014 and 2015. 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 approving the Negative Industry List for Foreign Investment and list industry sectors prohibited to foreign investment, which the 2020 Negative Industry List of the Catalogues was promulgated on June 23, 2020 and came into force on July 23, 2020. 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 Data Privacy Protection***

As we further expand our operations into international markets, we will be subject to additional laws in other jurisdictions where we operate and where our consumers, users, merchants, customers and other participants are located. We are subject to GDPR, an EU regulation that governs consumers' private information. The collection, use, disclosure, transfer, or other processing of personal data regarding individuals in the EU, including personal transaction data, is subject to the EU General Data Protection Regulation, or GDPR, which became effective on May 25, 2018. The GDPR is wide-ranging in scope and imposes numerous requirements on companies that process personal data, including requirements relating to processing personal address and other sensitive data, obtaining consent of the individuals to whom the personal data relates, providing information to individuals regarding data processing activities, implementing safeguards to protect the security and confidentiality of personal data, providing notification of data breaches, and taking certain measures when engaging third-party processors. The GDPR also imposes strict rules on the transfer of personal data to countries outside the EU, including the U.S., and permits data protection authorities to impose large penalties for violations of the GDPR, including potential fines of up to €20 million or 4% of annual global revenues, whichever is greater. The GDPR also confers a private right of action on data subjects and consumer associations to lodge complaints with supervisory authorities, seek judicial remedies, and obtain compensation for damages resulting from violations of the GDPR. Compliance with the GDPR is a rigorous and time-intensive process that may increase the cost of our business operations or requires us to change our business practice.

## ***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, 2008 and 2020. 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 Administrative Department for Patent under the State Council 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 and 15 years in the case of utility models and designs respectively, each starting from the 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 two patents in China as of December 31, 2021.

### *Copyright*

Copyrights are protected by the Copyright Law of the PRC which was promulgated in 1990 and amended in 2001, February 2010 and November 2020, 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 RMB5,000,000.

We have 33 registered computer software copyrights in China, one registered copyright in the United States and one registered copyright in China as of December 31, 2021.

#### *Trademark*

Pursuant to the Trademark Law of the People’s Republic of China (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 (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 oukoo.

### *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, which was then invalidated by the issuance and implementing of a series of rules including Rules of China Country Code Top-Level Domain Names Registration (annex: China Country Code Top-Level Domain Names Dispute Resolution Policy and the Procedural Rules of China Country Code Top-Level Domain Names), promulgated and implemented on June 18, 2020. 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.sg*.

### *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
- the Guidance on Foreign Exchange Business under the Current Account (2020).

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 most of our products from suppliers in the PRC. Payments are made to the suppliers after the approval by local SAFE, with the provision of relevant exporting documents including customer order details, payment records, shipping and delivery tracking.

#### *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;

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- 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. 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. 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 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 / Sales tax / Goods and Services Tax*

In China, 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.

In European Union, new VAT rules on cross-border business-to-consumer (B2C) e-commerce activities have come into effect since 1 July 2021. Online sellers, including online marketplaces/platforms can register the Import One-Stop Shop (IOSS) in one EU Member State. The IOSS allows suppliers and electronic interfaces selling imported goods of EUR150 or less to buyers in the EU to collect, declare and pay the VAT to the tax authorities, instead of making the buyer pay the VAT at the moment the goods are imported into the EU as it was previously the case (for products over EUR22).

For the non-EU European countries, some countries, such as United Kingdom, Norway and Switzerland also have issued new VAT policies on foreign suppliers (businesses and marketplaces) of low-value goods to domestic individual consumers, where foreign suppliers are obliged to register and collect VAT on their B2C sales. Meanwhile, there are other non-EU European countries that still charge VAT at the border when the goods are imported.

In United States, most states have enacted laws or adopted formal positions that apply an economic nexus standard and require remote sellers with no in-state physical presence to register for sales and use tax purposes, collecting and remitting tax on sales directed to customers in the state. Sales and use tax rates vary from state to state. Most states also allow a 'local option' that permits local jurisdictions, such as cities and counties, to impose an additional percentage on top of the state-level tax and to keep the related revenues.

In Australia, the supply of low value imported goods of AUD1,000 or less to an Australian non-registered consumer will be taken to have necessary connection with Australia and may be subject to goods and services tax, or GST, unless otherwise exempted. Nonresident suppliers and/or re-deliverers to consumers in Australia are liable to remit that GST to the Commissioner of Taxation.

In addition to the above countries, other regions or countries also have developed and introduced their own VAT or GST regulations.

### *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 2021 were generated from product sales via our websites and third-party online marketplace platforms targeting consumers from China. Pursuant to the New EIT Law and its implementation rules, dividends generated after January 1, 2008 and distributed to us by our PRC subsidiaries directly held by Light In The Box Limited, may be subject to withholding tax at a rate of up to 10%. Pursuant to the Double Taxation Avoidance Arrangement, dividends that Light In The Box Limited receives from our PRC subsidiaries 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. 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 the 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 non-cash 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.”

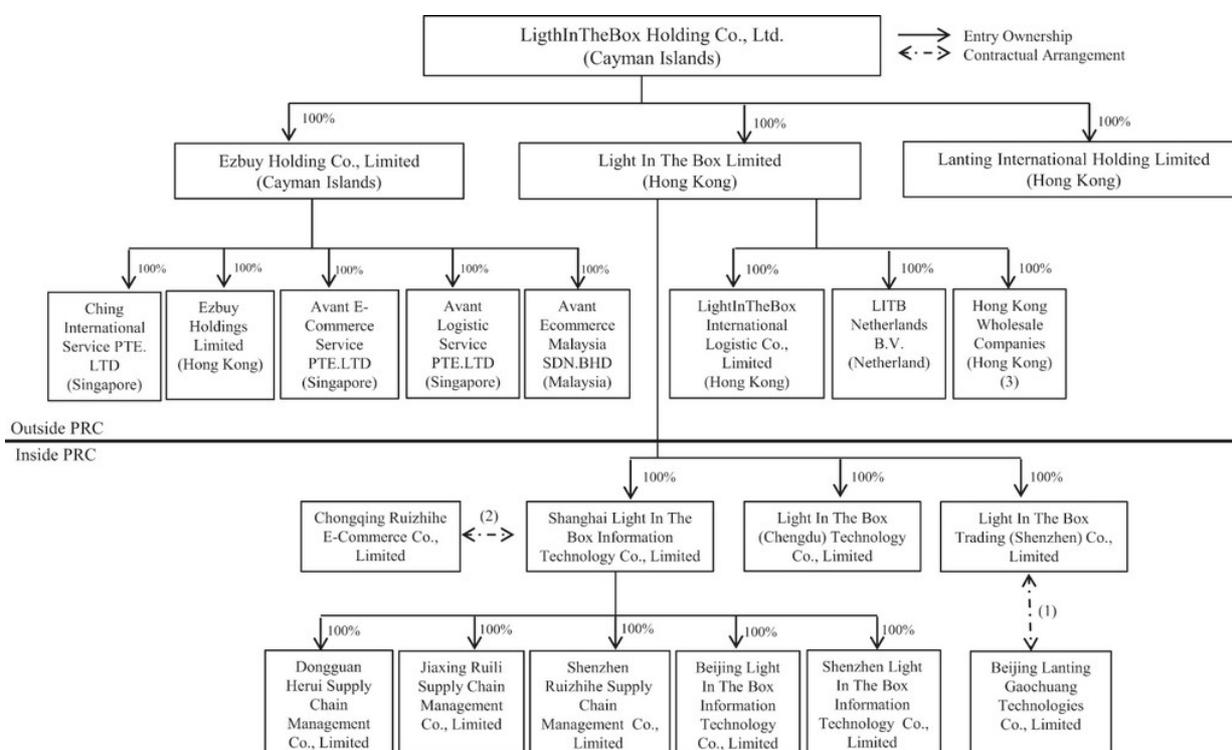
**Regulations on Concentration in Merger and Acquisition Transactions**

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 chart below summarizes our corporate structure and identifies our significant subsidiaries, as that term is defined under Section 1-02 of Regulation S-X under the U.S. Securities Act, and other subsidiaries and variable interest entities that are representative of our major businesses, which we collectively refer to as our major subsidiaries and major variable interest entities:



As of the date of this annual report, we have two remaining VIEs in the PRC, including Beijing Lanting Gaochuang Technologies Co., Limited (“Lanting Gaochuang”) and Chongqing Ruizhihe E-Commerce Co., Limited (“Chongqing Ruizhihe”).

- (1) Mr. Jian He, our CEO, and one of the dormant subsidiaries hold 51% and 49% of the equity interest in Lanting Gaochuang, respectively. Lanting Gaochuang previously engaged in technology research and development, marketing, administrative and general supports. The majority of the employees and business contracts in Lanting Gaochuang have been transferred to Beijing Lanting. Therefore, Lanting Gaochuang is currently a dormant company and is expected to be closed down in year 2022;
- (2) Mr. Qianneng Fu and Ms. Jing Zhu hold 95% and 5% of equity interests in Chongqing Ruizhihe, respectively. Chongqing Ruizhihe primarily engages in e-commerce business and is expected to be closed down or transferred out in year 2022;
- (3) Include three subsidiaries each of which is a limited liability company incorporated in Hong Kong that are primarily engaged in the wholesale distribution of products. These three subsidiaries are Light Square Limited, Light Xiao Limited and Fashion Easy-go International Trading Co., Limited. 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.

To mitigate the uncertainties in our corporate structure and increase control on our operating entities, we have started to transfer our VIEs to wholly-owned entities and unwind the VIEs arrangements that were intended to support the operations of our PRC subsidiaries, which were no longer in operation. In 2021, we closed the Shenzhen Xuyi and Chongqing Xuyi VIEs, and the shares in relation to four of our VIEs, Lanting Huitong, Jiaying Xuyang, Dongguan Herui and Shenzhen Ruizhihe, namely, were transferred to our wholly-owned entities while the related companies remained as our subsidiaries in the Group. As a result, the contractual arrangements between our wholly-owned entities and the relevant VIEs were terminated, which includes Exclusive and Technical Support and Consulting Service Agreements, Powers of Attorney, Exclusive Option Agreements, Loan Agreements, Share Pledge Agreements and Spousal Consent Letters.

Before our VIE structure in the PRC is completely removed, and for the purpose of this annual report, we maintain the control of the two remaining VIEs, Lanting Gaochuang and Chongqing Ruizhihe, respectively, through contractual arrangements between our wholly-owned subsidiaries, the two VIEs and the respective shareholders of the two VIEs.

#### **Contractual Arrangements with the two VIEs and the Respective Shareholders of the two VIEs**

The following is a summary of the currently effective contractual arrangements by and among our wholly-owned subsidiaries including Shanghai Lanting and Shenzhen Lanting Jishi, the two VIEs, namely, Chongqing Ruizhihe and Lanting Gaochuang, and the Respective Shareholders of such two VIEs.

***Exclusive Technical Support and Consulting Service Agreements:*** Under the Exclusive Technical Support and Consulting Service Agreements entered into between our wholly-owned subsidiaries and our respective VIEs, our wholly-owned subsidiaries agreed to provide the two VIEs with technical 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. The two VIEs agreed to pay a service fee equal to substantially all of their net income, an amount equal to the amount of our VIEs' operating revenue deducted by: (1) working capital necessary for the maintaining of the daily operations of the two VIEs; and (2) the amount of cash required for the two VIEs' capital expenditures. The exclusive technical support and consulting service agreements will be valid for 10 years and automatically renewed for another ten years at the end of each period unless terminated earlier at the respective wholly-owned subsidiaries' sole discretion or the liquidation of the two VIEs.

***Powers of Attorney:*** Each registered shareholder of the two VIEs has executed a Power of Attorney appointing the respective wholly-owned entities 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 the two 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 the two VIEs.

**Exclusive Option Agreements:** Under the Exclusive Option Agreements entered into among our wholly-owned subsidiaries, the two VIEs, and the shareholders of the two VIEs, our wholly-owned subsidiaries or its designated parties have exclusive options to purchase, when and to the extent permitted under PRC law, all or part of the equity interest in the respective 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. If the exercise price for the options is higher than the respective equity investment cost, the two VIEs agree to repay the difference between the exercise price and equity investment cost to our wholly-owned subsidiaries or their designated persons. The agreements are valid until our wholly-owned subsidiaries or its designated parties complete transaction of all the equity interest of the two VIEs.

**Loan Agreements:** Under the Loan Agreements entered into between our wholly-owned subsidiaries and the registered shareholders of the respective VIEs, our wholly-owned subsidiaries extended loans to the respective registered shareholders of the two VIEs to be contributed as the registered capital of our wholly-owned subsidiaries. Under these agreements, the registered shareholders of the two VIEs agreed that without prior written consent from our wholly-owned subsidiaries, the two VIEs 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 the two VIEs before such loan has been repaid. These loans could only be repaid by transferring all of the registered shareholders of the two VIEs' equity interest in the two VIEs to our wholly-owned subsidiaries or any third parties designated by our wholly-owned subsidiaries, and submitting all proceeds from such transaction to our wholly-owned subsidiaries. The loan agreements had a term of ten years and will be extended automatically, unless indicated otherwise by our wholly-owned subsidiaries in writing three months prior to the contract expiration date.

**Share Pledge Agreements:** Under the Share Pledge Agreements entered into among our wholly-owned subsidiaries, the two VIEs, and the respective shareholders of the two VIEs, the registered shareholders of the two VIEs pledged all of their respective equity interest in favor of our wholly-owned subsidiaries to secure the two 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 the two VIEs or any of their respective registered shareholders breach any of their respective contractual obligations under these agreements, our wholly-owned subsidiaries, as pledgees, will be entitled to certain rights, including the right to sell the pledged equity interest. The registered shareholders of the two VIEs agreed not to transfer, sell, pledge, dispose of or otherwise create any new encumbrance on their respective equity interest in the two VIEs, without their respective wholly-owned subsidiaries' prior written consent. The share pledge agreements will be valid until the two VIEs and their shareholders fulfill all contractual obligations under the exclusive option agreements and the exclusive technical support and consulting service agreements.

**Spousal Consent Letters:** Under the Spousal Consent Letters, the spouses of the registered shareholders of the two VIEs acknowledged that a certain percentage of the equity interest in the two VIEs held by and registered in the name of their respective spouse will be disposed of pursuant to the Exclusive Option Agreements and Share Pledge Agreements. These spouses understand that such equity interest is held by their respective spouse on behalf of our wholly-owned subsidiaries, 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.

In the opinion of Hiways Law Firm, our PRC legal counsel:

- the ownership structures of wholly-owned subsidiaries and VIEs are not in any violation of PRC laws or regulations currently in effect; and
- the contractual arrangements among wholly-owned subsidiaries and VIEs and their respective shareholders governed by PRC law are legal, valid, binding and enforceable in accordance with its terms and applicable PRC laws, and do not and will not result in any violation of PRC laws or regulations currently in effect.

We have been further advised by our PRC legal counsel that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. If the PRC government finds that the agreements that establish the structure for operating our e-commerce business do not comply with PRC government restrictions on foreign investment in our businesses, we could be subject to severe penalties including being prohibited from continuing operations. See "Item 3. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure."

#### 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 Singapore, Beijing, Shenzhen, Shanghai and Chengdu. We maintain warehouses in Dongguan, Jiaying and Singapore. The following table sets forth a summary of our leased properties as of the date of this annual report:

<u>Location</u>	<u>Size (in square meters)</u>	<u>Usage of Property</u>
Shanghai, China	3,537	Research and development, sales and operation, customer service and administrative functions
Beijing, China	918	Sales and operation, research and development, administrative functions
Shenzhen, China	881	Sales and operation, and administrative functions
Chengdu, China	785	Research and development
Dongguan, China	32,676	Warehouse
Jiaying, China	20,976	Warehouse
Singapore	19,513	Sales and operation, customer service and warehouse

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](http://www.lightinthebox.com), [www.miniinthebox.com](http://www.miniinthebox.com), [www.ezbuy.sg](http://www.ezbuy.sg) and our other websites as well as mobile applications, which are available in 25 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, UPS 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.

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 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.

Our total revenues were \$243.6 million, \$398.2 million and \$446.1 million in 2019, 2020 and 2021, respectively. We recorded net income of \$1.1 million, \$13.3 million and \$13.5 million in 2019, 2020 and 2021, respectively. Cash provided by operating activities was \$1.9 million and \$29.3 million in 2019 and 2020, respectively, and cash used in operating activities was \$1.8 million in 2021.

### **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, sales and use tax, goods and services tax, discounts and allowances; and
- *Services and others.* Our services and others segment comprised of provision of logistic services to companies 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 account for a large portion of our total revenues. 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 2019, 2020 and 2021, we generated total revenues of \$243.6 million, \$398.2 million and \$446.1 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,					
	2019		2020		2021	
	(U.S. dollars in thousands, except for percentage)					
	Revenues	% of Total	Revenues	% of Total	Revenues	% of Total
Product sales						
Apparel	\$ 78,954	32.4	\$ 157,943	41.3	\$ 274,212	61.4
Other general merchandise (1)	157,751	64.8	224,132	58.7	160,958	36.1
<b>Total product sales</b>	<b>236,705</b>	<b>97.2</b>	<b>382,075</b>	<b>96.0</b>	<b>435,170</b>	<b>97.5</b>
Services and others	6,921	2.8	16,076	4.0	10,933	2.5
<b>Total revenues</b>	<b>243,626</b>	<b>100.0</b>	<b>398,151</b>	<b>100.0</b>	<b>446,103</b>	<b>100.0</b>

(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 customers that we provide services to in absolute amounts and as percentages of total revenues for the years presented.

	Year Ended December 31,					
	2019		2020		2021	
	(U.S. dollars in thousands, except for percentage)					
	Revenues	% of Total	Revenues	% of Total	Revenues	% of Total
Europe	\$ 87,568	36.0	\$ 175,749	44.1	\$ 218,915	49.1
North America	37,932	15.6	81,203	20.4	91,520	20.5
Other countries	118,108	48.4	141,199	35.5	135,668	30.4
<b>Total revenues</b>	<b>243,626</b>	<b>100.0</b>	<b>398,151</b>	<b>100.0</b>	<b>446,103</b>	<b>100.0</b>

### Product sales

We have primarily focused on selling apparel and other general merchandise. We expect to continue to focus on the growth in sales of apparel and expect that sales of apparel will continue to contribute considerably to our total revenues in the future.

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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 or mobile devices continue to increase, our mobile revenue increased to 67.1% of revenues from product sales in 2021, compared with 59.2% in 2019 and 63.8% in 2020, 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,		
	2019	2020	2021
	(U.S. dollar in thousands, unless otherwise stated)		
Our number of customers	3,340	6,253	6,780
Revenues from product sales attributed to repeat customers	\$ 143,878	\$ 162,732	\$ 174,268
Revenues from product sales attributed to new customers	\$ 92,827	\$ 219,343	\$ 260,902
Change in revenues from product sales attributed to repeat customers <sup>(1)</sup> (percentage)	59.6	13.1	7.1

(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 \$162.7 million in 2020 to \$174.3 million in 2021, primarily contributed by our efforts to upgrade our supply chain and product mix to fulfill our customers’ diverse demand. We expect revenues from product sales attributed to repeat customers to increase in the long run as we continue to optimize our supply chain and operating efficiency to enhance customers’ experience and satisfaction.

*Services and others*

We also record revenues from the provision of logistics to companies 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 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.

	Year Ended December 31,					
	2019		2020		2021	
	(U.S. dollar in thousands, except for percentage)					
	% of Total Revenues		% of Total Revenues		% of Total Revenues	
Cost of revenues						
Cost of product sales	\$ 144,061	59.1	\$ 211,430	53.1	\$ 235,237	52.7
Cost of services and others	1,968	0.8	10,567	2.7	4,156	0.9
<b>Total cost of revenues</b>	<b>146,029</b>	<b>59.9</b>	<b>221,997</b>	<b>55.8</b>	<b>239,393</b>	<b>53.6</b>
Operating expenses:						
Fulfillment	24,900	10.2	27,967	7.0	29,588	6.6
Selling and marketing	51,111	21.0	112,146	28.2	154,176	34.6
General and administrative	37,811	15.5	33,160	8.3	39,733	8.9
Other operating income	(173)	(0.1)	(974)	(0.2)	(675)	(0.2)
<b>Total operating expenses</b>	<b>113,649</b>	<b>46.6</b>	<b>172,299</b>	<b>43.3</b>	<b>222,822</b>	<b>49.9</b>

### 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, 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 our customers. Shipping charges primarily include shipping fees that we pay to third-party international couriers and are recognized as cost of services when delivery services are completed.

### 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, provision for credit losses and other general corporate costs. General and administrative expenses also include technological development and related expenses, including payroll-related expenses. In addition, general and administrative expenses include chargebacks relating to fraudulent credit card activities 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,					
	2019		2020		2021	
		% of Total Revenues		% of Total Revenues		% of Total Revenues
	(U.S. dollar in thousands, except for percentage)					
Fulfillment	\$ 238	0.1	\$ 15	0.0	\$ 15	0.0
Selling and marketing	408	0.2	82	0.0	142	0.0
General and administrative	1,414	0.6	3,509	0.9	1,225	0.3
<b>Total share-based compensation expenses</b>	<b>2,060</b>	<b>0.9</b>	<b>3,606</b>	<b>0.9</b>	<b>1,382</b>	<b>0.3</b>

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

### **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 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.

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.

Chengdu Lanting 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.

Shenzhen Ruizhihe, Beijing Lanting, Shenzhen Lanting and Jiaying Ruili qualified as SMEs in 2021, Dongguan Herui and Chongqing Ruizhihe qualified as SMEs in 2020 and 2021, Shenzhen Lanting Jishi qualified as SME in 2019, 2020 and 2021, and therefore their taxable income will be taxed at 20% subject to certain taxable income exemptions for the respective years.

Other entities of the Group domiciled in the PRC are 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 our PRC subsidiaries 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.

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 companies and individual customers.

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.

### *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; and (iii) we have discretion in establishing the price.

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

Product sales, net of discounts, return allowances and VAT, sales and use tax, goods and services tax, 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 allowances, 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. Prime membership revenues for the years ended December 31, 2019, 2020 and 2021 were \$1,394 thousand, \$1,166 thousand and \$810 thousand, respectively.

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 companies and 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. Revenues from provision of systems and technical services for the years ended December 31, 2019, 2020 and 2021 were \$1,198 thousand, \$nil and \$nil, respectively.

### *Internal use software*

We capitalize payroll costs incurred for the development of computer software for internal use pursuant to Accounting Standards Codification (“ASC”) Topic 350-40, Intangibles—Goodwill and Other—Internal use software. We capitalize the costs during the development of the project, when it is determined that it is probable that the project will be completed, and the software will be used as intended. Costs related to preliminary project activities, post-implementation activities, training and maintenance are expensed as incurred. Internal use software is amortized on a straight-line basis over its estimated useful life, which is generally three years. Capitalized internal use software is recorded in “Intangible assets, net” on the consolidated balance sheets.

### *Long-term investments*

Our long-term investments consist of an equity investment without readily determinable fair value and equity method investment.

*Equity investments without readily determinable fair value*

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 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, we 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.

For those equity investments that we elect to use the measurement alternative, we make a qualitative assessment of whether the investment is impaired at each reporting date. If a qualitative assessment indicates that the investment is impaired, we have 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, we have to recognize an impairment loss in net (loss) / income equal to the difference between the carrying value and fair value.

*Equity method investment*

Investment in an entity where we can exercise significant influence, but not control, is accounted for using the equity method. Whether or not we can exercise significant influence with respect to an equity investee depends on an evaluation of several factors including, among others, our 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 our share of undistributed earnings or losses of the investee.

We regularly evaluate 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. We did not record any impairment loss on its equity method investment during the year ended December 31, 2019. The Group did not have any equity method investment as of December 31, 2020 and 2021.

**Leases**

On January 1, 2019, we 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.

We elected the package of practical expedients permitted which allows us 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). We 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, we made the policy election to combine the lease and non-lease components as one-single component under Topic 842.

Our 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.

We classify 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 us at the end of the lease term.

For both operating and financing leases, we 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 we 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.

We estimate 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, we consider 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 us.

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 and liabilities are included in “property and equipment, net”, “accrued expenses and other current liabilities” and “long-term payable” on the consolidated balance sheets. 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 is recognized on a straight-line basis over the lease term.

### ***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. Our estimated liability for unrecognized tax benefits is periodically assessed for adequacy and may be affected by changing interpretations of laws, rulings by tax authorities, changes and/or developments with respect to tax audits, and expiration of the statute of limitations. The actual benefits ultimately realized may differ from our estimates. As each audit is concluded, adjustments, if any, are recorded in our consolidated financial statements. Additionally, in future periods, changes in facts, circumstances, and new information may require us to adjust the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recognized in the period in which the changes occur.

We apply 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. We have 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 (loss) / income.

## 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.

	Year Ended December 31,					
	2019	2020		2021		
	(U.S. dollar in thousands, except for percentage)					
	% of Revenues		% of Revenues		% of Revenues	
Revenue						
Product sales	\$ 236,705	97.2	\$ 382,075	96.0	\$ 435,170	97.5
Services and others	6,921	2.8	16,076	4.0	10,933	2.5
<b>Total revenue</b>	<b>243,626</b>	<b>100.0</b>	<b>398,151</b>	<b>100.0</b>	<b>446,103</b>	<b>100.0</b>
Cost of revenues						
Product sales	144,061	59.1	211,430	53.1	235,237	52.7
Services and others	1,968	0.8	10,567	2.7	4,156	1.0
<b>Total cost of revenues</b>	<b>146,029</b>	<b>59.9</b>	<b>221,997</b>	<b>55.8</b>	<b>239,393</b>	<b>53.7</b>
<b>Gross profit</b>	<b>97,597</b>	<b>40.1</b>	<b>176,154</b>	<b>44.2</b>	<b>206,710</b>	<b>46.3</b>
Operating expenses:						
Fulfillment	24,900	10.2	27,967	7.0	29,588	6.6
Selling and marketing	51,111	21.0	112,146	28.2	154,176	34.6
General and administrative	37,811	15.5	33,160	8.3	39,733	8.9
Other operating income	(173)	(0.1)	(974)	(0.2)	(675)	(0.2)
<b>Total operating expenses</b>	<b>113,649</b>	<b>46.6</b>	<b>172,299</b>	<b>43.3</b>	<b>222,822</b>	<b>49.9</b>
<b>(Loss) / Income from operations</b>	<b>(16,052)</b>	<b>(6.6)</b>	<b>3,855</b>	<b>1.0</b>	<b>(16,112)</b>	<b>(3.6)</b>
Interest income	297	0.1	103	0.0	59	0.0
Interest expense	(66)	(0.0)	(92)	(0.0)	(13)	(0.0)
Change in fair value of convertible notes	14,591	6.0	—	—	—	—
Other income, net	283	0.1	12,898	3.2	39,322	8.8
<b>(Loss) / Income before income taxes and share of income and gain from equity method investment</b>	<b>(947)</b>	<b>(0.4)</b>	<b>16,764</b>	<b>4.2</b>	<b>23,256</b>	<b>5.2</b>
Share of income and gain from equity method investment	2,118	0.9	—	—	—	—
Income tax expense	(113)	(0.0)	(3,418)	(0.9)	(9,802)	(2.2)
<b>Net income</b>	<b>1,058</b>	<b>0.4</b>	<b>13,346</b>	<b>3.4</b>	<b>13,454</b>	<b>3.0</b>

### Comparison of the Years Ended December 31, 2019, 2020 and 2021

#### Revenues

Our total revenues in 2019, 2020 and 2021 were \$243.6 million, \$398.2 million and \$446.1 million, respectively, reflecting an increase of 63.4% from 2019 to 2020, and an increase of 12.0% from 2020 to 2021.

*Product sales*

The increase in our revenues from product sales from \$382.1 million in 2020 to \$435.2 million in 2021 was primarily contributed by our continuous efforts to optimize our supply chain and our continuous efforts to fulfill our customers' needs and improve their shopping experience. Our total number of sales orders in 2020 and 2021 were approximately 8.5 million and 9.4 million, respectively, reflecting an increase of 9.7% from 2020 to 2021. Our number of customers in 2020 and 2021 were approximately 6.3 million and 6.8 million. Revenues from product sales attributable to our repeat customers as a percentage of our revenues from product sales, decreased from 42.6% in 2020 to 40.0% in 2021, due to the increment on our new customer base. Our average order size during the same periods increased from approximately \$44.8 in 2020 to \$46.5 in 2021, reflecting an increase of 3.8% from 2020 to 2021, contributed by the increase of our average order quantity.

The increase in our revenues from product sales from \$236.7 million in 2019 to \$382.1 million in 2020 was primarily contributed by our continuous efforts to optimize our supply chain and product mix. Our total number of sales orders in 2019 and 2020 were approximately 5.6 million and 8.5 million, respectively, reflecting an increase of 52.3% from 2019 to 2020. Our number of customers in 2019 and 2020 were approximately 3.3 million and 6.3 million. Revenues from product sales attributable to our repeat customers as a percentage of our revenues from product sales, decreased from 60.8% in 2019 to 42.6% in 2020, due to the large increment on our new customer base. Our average order size during the same periods increased from approximately \$42.3 in 2019 to \$44.8 in 2020, reflecting an increase of 5.9% from 2019 to 2020, contributed by the increase of our average order quantity.

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, 2019, 2020 and 2021, we had more than 20 million, 11 million and 5 million 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 2019, 2020 and 2021, Europe represented the largest region in which our products were sold.

*Services and others*

The decrease in our revenues from services and others from \$16.1 million in 2020 to \$10.9 million in 2021 was primarily due to the decrease of logistic services.

The increase in our revenues from services and others from \$6.9 million in 2019 to 16.1 million in 2020 was primarily contributed by the increase of logistic services.

***Cost of revenues***

Our cost of revenues in 2019, 2020 and 2021 were \$146.0 million, \$222.0 million and \$ 239.4 million, respectively, representing an increase of 52.0% from 2019 to 2020 and an increase of 7.8 % from 2020 to 2021.

*Cost of product sales*

The increase in our cost of product sales from \$144.1 million in 2019 to \$211.4 million in 2020, and then to \$235.2 million in 2021 was primarily due to the increase of our revenues. Our product costs and other associated charges in 2019, 2020 and 2021 were \$107.4 million, \$136.5 million and \$144.7 million, respectively, representing an increase of 27.2% from 2019 to 2020 and an increase of 6.0 % from 2020 to 2021. Our shipping charges related to the sale of our products in 2019, 2020 and 2021 were \$36.7 million, \$74.9 million and \$90.6 million, respectively, representing an increase of 104.1% from 2019 to 2020 and an increase of 20.9 % from 2020 to 2021.

*Cost of services and others*

The increase in our cost of services and others from \$2.0 million in 2019 to \$10.6 million in 2020 was primarily because of the increase in costs as a result of the increase in our revenues from services and others. The decrease in our cost of services and others from \$10.6 million in 2020 to \$ 4.2 million in 2021 was primarily because of the decrease in costs as a result of the decrease in our revenues from services and others.

**Gross profit**

As a result of the foregoing, our gross profits in 2019, 2020 and 2021 were \$97.6 million, \$176.2 million and \$ 206.7 million, respectively, reflecting an increase of 80.5% from 2019 to 2020 and an increase of 17.3 % from 2020 to 2021. Our gross margins in 2019, 2020 and 2021 were 40.1%, 44.2% and 46.3%, respectively.

*Product sales*

The gross profits of our product sales segment in 2019, 2020 and 2021 were \$92.6 million, \$170.6 million and \$199.9 million, respectively, reflecting an increase of 84.2% from 2019 to 2020 and an increase of 17.2% % from 2020 to 2021. The gross margins of our product sales segment in 2019, 2020 and 2021 were 39.1%, 44.7% and 45.9 %, respectively.

*Services and others*

The gross profits of our services and others segment in 2019, 2020 and 2021 were \$5.0 million, \$5.5 million and \$6.8 million, respectively, reflecting an increase of 11.2% from 2019 to 2020 and an increase of 23.0% from 2020 to 2021. The gross margins of our services segment in 2019, 2020 and 2021 were 71.6%, 34.3% and 62.0 %, respectively.

*Fulfillment Expenses*

Our fulfillment expenses in 2019, 2020 and 2021 were \$24.9 million, \$28.0 million and \$29.6 million, respectively. Fulfillment expenses as a percentage of our total revenues in 2019, 2020 and 2021 were 10.2%, 7.0% and 6.6 %, respectively.

The continuous decrease in our fulfillment expenses as a percentage of our total revenues from 2019 to 2021 was due to improved efficiency in our warehouse management.

*Selling and Marketing Expenses*

Our selling and marketing expenses in 2019, 2020 and 2021 were \$51.1 million, \$112.1 million and \$154.2 million, respectively.

Selling and marketing expenses as a percentage of our total revenues were 21.0%, 28.2% and 34.6 % in 2019, 2020 and 2021, respectively. The continuous increase in our selling and marketing expenses as a percentage of our total revenues from 2019 to 2021 was primarily due to the intensive competition for online retailers.

*General and Administrative Expenses*

Our general and administrative expenses in 2019, 2020 and 2021 were \$37.8 million, \$33.2 million and \$39.7 million, respectively, reflecting a decrease of 12.3% from 2019 to 2020 and an increase of 19.8 % from 2020 to 2021.

General and administrative expenses as a percentage of our total revenues in 2019, 2020 and 2021 were 15.5%, 8.3% and 8.9%, respectively. The general and administrative expenses as a percentage of total revenues decreased by 7.2% from 2019 to 2020 due to the increase in our revenues in 2020 and increased by 0.6% from 2020 to 2021. Share-based compensation expenses included in general and administrative expenses in 2019, 2020 and 2021 were \$1.4 million, \$3.5 million and \$1.2 million, respectively. R&D expenses included in general and administrative expenses in 2019, 2020 and 2021 were \$17.9 million, \$15.2 million and \$20.3 million, respectively.

*(Loss) / Income from Operations*

As a result of the foregoing, our loss from operations in 2019 was 16.1 million, our income from operations in 2020 was \$3.9 million and our loss from operation in 2021 was \$16.1 million.

*Other income, net*

Other income, net in 2019, 2020 and 2021 was \$0.3 million, \$12.9 million and \$39.3 million, respectively. Other income, net included, change in fair value of our equity investment, which was \$13.5 million and \$38.8 million in 2020 and 2021, respectively.

*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.

*Income Tax Expense*

Our income tax expense in 2019, 2020 and 2021 were approximately \$113,000, \$3.4 million and \$9.8 million, respectively. Income tax expense in 2020 and 2021 was primarily attributable to income tax expense from change in fair value on our equity investment.

*Net Income*

As a result of the foregoing, our net income in 2019, 2020 and 2021 were \$1.1 million, \$13.3 million and \$13.5 million, respectively.

**B. Liquidity and Capital Resources**

*Cash Flows and Working Capital*

Previously, 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. In addition, we had net consolidated current liabilities of \$26.0 million as of December 31, 2021, and we may continue to experience net current liabilities in the future. Started from year 2019, we started to make net income. As of December 31, 2021, we had approximately \$59.6 million in cash and cash equivalents and restricted cash.

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, 2021. 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, there can be no assurance that, if needed, we will be able to secure additional debt or equity financing on terms acceptable to us or at all, especially in light of the market volatility and uncertainty as a result of the COVID-19 pandemic.

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

	Year Ended December 31,		
	2019	2020	2021
	(U.S. dollars in thousands)		
Net cash (used in) / provided by operating activities	\$ 1,882	29,314	(1,771)
Net cash used in investing activities	(681)	(1,836)	(1,743)
Net cash used in financing activities	(551)	(3,686)	(1,320)
Net increase / (decrease) in cash and cash equivalents and restricted cash	650	23,792	(4,834)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(7)	1,292	(1,093)
Cash and cash equivalents and restricted cash at beginning of the year	39,802	40,445	65,529
<b>Cash and cash equivalents and restricted cash at end of the year</b>	<b>40,445</b>	<b>65,529</b>	<b>59,602</b>

### *Operating Activities*

We incurred negative cash flow of \$1.8 million from operating activities in 2021, primarily attributable to our net income of \$13.5 million, adjusted by the reconciliation of certain non-cash items of \$(21.9) million, which mainly included share-based compensation of \$1.4 million, depreciation and amortization of \$3.3 million, fair value change of equity investment without readily determinable fair values under the measurement alternative of \$(38.8) million, deducted by its respective income tax of \$9.8 million. Cash used in operating activities was also attributable to an increase of \$6.6 million in accounts payable, a decrease of \$8.5 million in advance from customers, contributed by the sales decrease in 2021Q4, and an increase of \$15.8 million in accrued expenses and other current liabilities, mainly related to the increase of marketing expenses and VAT payable, offset by the increase of \$7.0 million in accounts receivable, inventories, long-term rental deposits, prepaid expenses and other current assets.

We generated positive cash flow of \$29.3 million from operating activities in 2020, primarily attributable to our net income of \$13.3 million, adjusted by the reconciliation of certain non-cash items of \$(9.7) million, which mainly included share-based compensation of \$3.6 million, depreciation and amortization of \$2.4 million, unrealized foreign exchange gain of \$(1.4) million, allowance for credit losses of \$(0.7) million and fair value change of equity investment without readily determinable fair values under the measurement alternative of \$(13.5) million. Cash provided by operating activities was also attributable to an increase of \$11.5 million in advance from customers, contributed by the increase of our orders, and an increase of \$14.4 million in accrued expenses and other current liabilities, mainly related to the increase of marketing expenses, and an increase of \$3.4 million in deferred income tax related to the fair value gain on our equity investment, offset by the increase of \$4.5 million in inventories, prepaid expenses and other current assets.

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 share of income 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 million in operating lease liabilities.

### *Investing Activities*

Net cash used in investing activities was \$1.7 million in 2021, primarily due to the purchase of property and equipment of 1.0 million and the capitalized internal use software of 0.8 million.

Net cash used in investing activities was approximately \$1.8 million in 2020, primarily due to purchase of property and equipment of \$2.2 million, capitalized internal use software of \$1.6 million, proceeds from disposal of property and equipment of \$0.6 million, and proceeds from disposal of long-term investment of \$1.4 million.

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.

### **Financing Activities**

Net cash used in financing activities was \$1.3 million in 2021, which was primarily due to the payment for acquisition of non-controlling interest of \$1.5 million.

Net cash used in financing activities was \$3.7 million in 2020, which was primarily due to the repurchase of our ADSs of \$2.7 million, and the principal repayment of finance leases of \$1.0 million.

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 principal repayment of finance leases of \$0.3 million.

### **Capital Expenditures**

Our capital expenditures amounted to \$1.0 million, \$4.2 million and \$1.9 million in 2019, 2020 and 2021, 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 may increase in the future as we continue to invest in our fulfillment and technology infrastructure.

### **Material Cash Requirements**

#### **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.

#### **Contractual Obligations**

The following table sets forth our contractual obligations as of December 31, 2021.

	Total	Payment due by period			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
			(U.S. dollars in thousands)		
Operating Lease Obligations	12,529	4,241	7,190	1,098	—
Finance Leases	130	48	82	—	—
Capital expenditures	254	254	—	—	—
<b>Total</b>	<b>12,913</b>	<b>4,543</b>	<b>7,272</b>	<b>1,098</b>	<b>—</b>

### **Holding Company Structure**

We are a holding company with no material operations of our own. We conduct our operations primarily through our subsidiaries in Hong Kong and Singapore, and our subsidiaries in China. 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. Our PRC subsidiaries 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 PRC subsidiaries and the two remaining VIEs, the PRC subsidiaries can charge the respective VIEs service fees equal to substantially all of their net income. After paying the withholding taxes applicable to the revenue and earnings of the PRC subsidiaries, making appropriations for its statutory reserve requirement and retaining any profits from accumulated profits, the remaining net profits of the PRC subsidiaries would be available for distribution to their sole shareholder including 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 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."

### **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](http://www.lightinthebox.com), [www.miniinthebox.com](http://www.miniinthebox.com), [www.ezbuy.sg](http://www.ezbuy.sg). We have in total 287 trademarks and service marks registered in China, the United States, European Union, Hong Kong, etc., including Lightinthebox and MiniInTheBox. We also have 33 registered computer software copyrights in China, one registered copyright in the United States and one registered copyright in China. In addition to two registered patents in the United States and two registered patents in China

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.

### **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. Critical Accounting Estimates

For our critical accounting estimates, see “Item 5. Operating and Financial Review and Prospects - A. Operating Results Overview - Critical Accounting Policies.”

## 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 11, Shanghai KAISA Financial Center, No.1188 Minsheng Road, Pudong New Area, Shanghai, 200135 People’s Republic of China.

Name (1)	Age	Position/Title
Zhi Yan	49	Chairman of the Board
Jian He	41	Director and Chief Executive Officer
Zhiping Qi	49	Vice Chairman of the Board
Zhentao Wang	56	Director
Gang Yu	62	Director
Xiongping Yu	46	Director
Meng Lian	42	Director
Hanhua Wang	58	Independent Director
Peng Wu	39	Independent Director
Lei Deng	43	Independent Director
Bin Shi	43	Chief Technology Officer
Wenyu Liu	37	Chief Growth Officer
Yuanjun Ye	42	Chief Financial Officer

### Biographical Information

**Zhi Yan** has been our director since March 2016 and our chairman of the board of directors since June 2018. Mr. Yan has extensive investment and corporate management experience in various industries including commercial property, wholesale market, finance, real estate, logistics, commerce and aviation. Mr. Yan is the founder, chief executive officer and co-chairman of the board of directors of Zall Smart Commerce Group Ltd. (HKSE Code: 2098), primarily responsible for the group’s overall business and investment strategies, and overseeing the group’s project planning, business and operation management. Mr. Yan is also a non-executive director and the co-chairman of the board of directors of China Infrastructure & Logistics Group Ltd. (HKSE Code: 1719), a non-executive director and chairman of the board of directors of Wuhan Hanshang Group (SSE Code: 600774), and an independent director of DouYu International Holdings Limited (Nasdaq: DOYU). Mr. Yan received a master’s degree in business administration for senior executives from Wuhan University in February 2008 and an executive master’s degree of business administration 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 the executive director and co-chief executive director of Zall Smart Commerce Group Ltd. (HKSE Code: 2098). Mr. Qi is also 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 experiences 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.

**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, an EMBA degree from the HEC School of Management in France in 2007 and also an EMBA degree from the Shanghai Advanced Institute of Finance in 2013. Mr. Wang has received numerous accolades and awards in China, including the National Labor Medal in 2002, China's Industry Leader of Private Industrial Enterprises in 2003, One of the 15th China's Top 10 Outstanding Youth in 2004 and the Outstanding Person of China's Economic Development in 2006. Mr. Wang has established the first non-public charity foundation named after an individual among Chinese private entrepreneurs in 2006, he was honored with the 11th China Charity Award in 2021.

**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 Smart Commerce Group Ltd. (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 a board director for Midea Group Co., Ltd. (SZSE: 000333), and for Chindata Group Holdings Limited (NASDAQ: CD). Prior to founding YHD.com, Dr. Yu served as vice president of Worldwide Procurement at Dell Inc. from 2006 to 2007 and vice president of Worldwide Supply Chain at Amazon.com from 2004 to 2006. Before Amazon, Dr. Yu was a chair professor at McCombs School of Business at The University of Texas at Austin from 1989 to 2004. Dr. Yu obtained his bachelor's degree in science from Wuhan University in 1982, his master's degree in science from Cornell University in 1985, and 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 has also been a director of Zhejiang Aokang Shoes Co., Ltd. since January 2014, and was previously the finance in charge and secretary to the board of directors of Aokang Shoes Co., Ltd from September 2007 to September 2009, and served as the secretary to the board of directors of Aokang Shoes Co., Ltd from October 2009 to December 2013. Mr. Yu has served as a director of Wenzhou Minshang Bank since March 2015. Mr. Yu is also a director of Chengdu Kanghua Biological Products Co., Ltd and Zhongjie Resources Investment Co., Ltd., and an executive director and general manager of Ningbo Aokang Zhongou Investment Management Co., Ltd., Hangzhou Guanze Investment Management Co., Ltd., and director and general manager of Yongjia Aoxin Enterprise Management 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 vice dean of Business School in 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 currently an equity partner in Zhong Lun Law Firm since January 2020. Before joining Zhong Lun Law Firm, Dr. Deng served as 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 Nanshan Development 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** acted our acting chief financial officer from March 2019 to August 2020 and our Chief Growth Officer since then. 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.

**Yuanjun Ye** has served as Finance Vice President since August 2019 and was promoted to Chief Finance Officer in August 2020. Ms. Ye has approximately 19 years experience in financial management. Prior to joining the Company, Ms. Ye has worked in various companies and public accounting firm including Alibaba (NYSE: BABA), Trunkbow International Holdings Ltd. (NASDAQ: TBOW) and Deloitte Touche Tohmatsu. Ms. Ye obtained her bachelor's degree from Guangdong University of Foreign Studies in Accounting. Ms. Ye is a certified public accountant in the State of Washington and is a member of the American Institution of Certified Public Accountants.

Mr. Quji (Alan) Guo resigned as a director of the Board for personal reasons on April 30, 2022. Mr. Guo's decision to resign did not arise or result from any disagreement with the Company on any matter relating to the Company's operations, policies or practices.

## **B. Compensation of Directors and Executive Officers**

In 2021, we and our subsidiaries paid an aggregate cash compensation and benefits (excluding equity-based grants) of approximately \$1.6 million to our directors and executive officers as a group and granted RSUs, options and rights to acquire an aggregate of 800,000 ordinary shares (equivalent to 400,000 ADSs) to our directors and executive officers. Pursuant to our service or employment agreements with our directors and executive officers, neither we nor our subsidiaries provide benefits to directors upon termination of employment. We do not separately set aside any amounts for pensions, retirement or other benefits for our executive officers, other than pursuant to relevant statutory requirements.

## **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 is intended to promote our success and to increase shareholder value by providing an additional means to attract, motivate, retain and reward selected directors, officers, employees and other eligible persons. An aggregate of 4,444,444 ordinary shares were reserved for issuance under the 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.

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 shareholders’ 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 Plan. Subsequently, the 2019 Plan was amended to be authorized to grant a total of 10,667,382 ordinary shares. As of March 31, 2022, we had 190,000 unvested restricted shares and 3,123,900 unvested share options outstanding under the Plans.

The following table summarizes the share options and restricted shares granted to our employees under the Plans that were outstanding as of March 31, 2022

Name	Number of Ordinary Shares Underlying Outstanding Options and restricted shares	Exercise Price (\$/Share)	Grant Date	Expiration Date
Our Employees	1,800	4.75	May 22, 2013	The earlier of (1) the tenth anniversary of the date of grant,
	22,700	2.50	June 20, 2014	
	19,400	2.25	June 2, 2015	or (2) the fifth anniversary of the
	3,000,000	0.04	October 2, 2020	completion date of our
	80,000	0.04	December 29, 2021	initial public offering
	10,000	—	April 7, 2020	N/A
	150,000	—	August 1, 2020	N/A
	10,000	—	August 1, 2021	N/A
	20,000	—	October 1, 2021	N/A

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.

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 of directors 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 of 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. Hanhua 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; and
- 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. Hanhua Wang and Dr. Gang Yu. Dr. Wang satisfies 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 of directors 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 satisfies 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 of directors, or for appointment to fill any vacancy;
- conducting annual reviews of the board of director’s independence, qualifications and experiences in light of the availability of potential board of directors’ 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 their term of office; and
- 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 laws, 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 parties.

### **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, 2019, 2020 and 2021, we had 953, 1,008 and 971 full-time employees, respectively. Our employees are mainly based in China and Singapore. We have employees from several countries and regions, namely Malaysia, the United Kingdom and Netherlands. The following table sets forth the number of our employees by function as of December 31, 2021:

	<u>Number of Employees</u>
Fulfillment	158
Selling and Marketing	538
Technology, Research and Development	189
General and Administrative	86
Total	971

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 2019, 2020 and 2021 were \$6.8 million, \$3.1 million and \$7.1 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 March 31, 2022 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 226,120,381 ordinary shares outstanding as of March 31, 2022, 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
<b>Directors and Executive Officers:</b>		
Zhi Yan(1)	51,040,000	22.57 %
Jian He(2)	16,592,760	7.34 %
Zhenta Wang(3)	24,553,810	10.86 %
Wenyu Liu	5,789,848	2.56 %
Yuanjun Ye	*	*
Bin Shi	*	*
All directors and executive officers as a group	97,976,418	43.33 %
<b>Principal Shareholders:</b>		
Zall Entities(4)	51,040,000	22.57 %
AOGANG International (Hong Kong) Corporation Limited(5)	24,553,810	10.86 %
Conner Growth Holding Limited(2)	16,592,760	7.34 %
IDG Entities (6)	12,168,780	5.38 %

Notes:

- \* Less than 1% of our total outstanding shares.

- (1) Represents 42,500,000 ordinary shares and 3,750,000 ADSs representing 7,500,000 ordinary shares held by Zall Development Investment Company Limited, or Zall Development Investment, and 520,000 ADSs representing 1,040,000 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 Development Investment and Zall Development HK, see Note 4 below. Mr. Yan disclaims beneficial ownership of our ordinary shares held by Zall Development Investment and Zall Development HK, except to the extent of their pecuniary interest in these shares.
- (2) Represents (a) 14,376,378 ordinary shares and (b) 1,108,191 ADSs, representing 2,216,382 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 Sea Meadow House, P.O. Box 116, Road Town, Tortola, British Virgin Islands.
- (3) 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 5 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.
- (4) Represents 42,500,000 ordinary shares and 3,750,000 ADSs representing 7,500,000 ordinary shares held by Zall Development Investment Company Limited, or Zall Development Investment, and 520,000 ADSs representing 1,040,000 ordinary shares held by Zall Development (HK) Holding Company Limited, or Zall Development HK. Zall Development Investment, a company incorporated in the British Virgin Islands, is directly and wholly owned by Mr. Yan. Zall Development HK, a limited liability company incorporated under the laws of Hong Kong, 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 Ltd, or Zall Smart Commerce. Mr. Zhi Yan is the founder, co-chairman of the board of directors, co-chief executive officer and an executive director of Zall Smart Commerce and holds his beneficial interest in Zall Smart Commerce through Zall Development Investment. Zall Development BVI, Zall Development HK, Zall Smart Commerce 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, 21 Floor, Two Exchange Square, Central, Hong Kong.
- (5) 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%, (iii) Mr. Jinqun 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 Rm 216, 2/F, 343 King's Road, North Point, 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.
- (6) Represents (i) 10,787,626 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) 1,381,154 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 office of IDG Entities is Walkers Corporate Limited, 190 Elgin Avenue, 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 were 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. Subsequently on December 31, 2020, Vitz Holdings Limited gave up the three votes per share and is now entitled to one vote per share in matters related to change of control, pursuant to our amended and restated memorandum and articles of association. Client Investments Limited sold all the shares with entitlement to three votes per share in such matters related to a change of control. And Wincore Holdings Limited converted the shares with entitlement to three votes per share in such matters.

As of March 31, 2022, 226,120,381 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 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 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 March 31, 2022, 116,558,948 ordinary shares, representing approximately 47.58% of our total outstanding shares, were held by three record shareholders, which includes 116,558,948 ordinary shares held of record by The Bank of New York Mellon, the depositary 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**

We signed a share transfer agreement with Wuhan Zall Internet Technology Co., Ltd, a subsidiary of Zall, in 2019. The total purchase price was \$4,223 thousand for a 30% equity interest in a long-term investment. As of December 31, 2020 and 2021, \$2,820 thousand and \$2,730 thousand has not been settled, respectively. Subsequently, \$2,730 thousand has been settled in April 2022. See Note 8 for details of the share transfer.

We entered into a GPS project technical services contract with Hankou North Import and Export Service Co., Ltd, a subsidiary of Zall, in 2019. The total technical services fee received from Hankou North was \$123 thousand in 2019, which was settled in full during 2019.

We entered into a technical development services contract with Demon Network Technology (Hong Kong) Co., Ltd. (“Demon Hong Kong”), a subsidiary of Zall, in 2019. The total technical services fee received from Demon Hong Kong in 2019 was \$749 thousand and all received as of December 31, 2020.

We signed a share transfer agreement with Yew Tee Global Investment Pte. Ltd., a company controlled by our managements, in 2021, to acquire the remaining 20% of the issued share capital of Avant Logistic Service PTE.LTD. Upon the share transfer, Avant Logistic Service PTE.LTD became a wholly-owned subsidiary of Ezbuy. The total purchase price was \$1,544 thousand and the transaction was fully settled as of December 31, 2021.

## **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 Plan.”

## **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 and VIEs 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 and VIEs 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 the 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 on Foreign 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 a 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 our PRC subsidiaries, which are 100% owned by Light In the Box Limited, our wholly owned subsidiary located in Hong Kong. According to the Mainland and Hong Kong Special Administrative Region Arrangements on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, or the Double Taxation Avoidance Arrangement, dividends that Light In The Box Limited receive from our PRC subsidiaries may be subject to withholding tax at a rate of 5%, provided that: (a) Light In The Box is determined by the relevant PRC tax authorities to be a "non-resident enterprise" under the New EIT Law; (b) Light In The Box Limited is the beneficial owner of the PRC sourced income; (c) Light In The Box Limited holds at least 25% of the equity interest of our PRC subsidiaries 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 depository 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 jurisdictions.**

### *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 2021. 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 the two VIEs will be treated for purposes of the PFIC rules. If it is determined that we do not own the stock of the two 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](http://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**

### **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 rate 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 positive \$107,000, negative \$ 395,000 and negative \$255,000 for the years ended December 31, 2019, 2020 and 2021, respectively, and the unrealized foreign exchange impacts relate to the U.S. dollars held by PRC entities with Renminbi as functional currency were approximately nil, positive \$1,000 and positive \$39,000 for each of the years ended December 31, 2019, 2020 and 2021, 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.

#### **Inflation Risk**

Inflation in China has not in the past materially impacted our results of operations. According to the National Bureau of Statistics of China, the change of consumer price index in China was 2.9% in 2019 2.5% in 2020 and 0.9% in 2021. Although we have not been materially affected by inflation in the past, we can provide no assurance that we will not be affected in the future by higher inflation rates in China.

#### **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:**

	<b>For:</b>
\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	<ul style="list-style-type: none"> <li>• Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property</li> </ul>
	<ul style="list-style-type: none"> <li>• Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates</li> </ul>
\$.05 (or less) per ADS	<ul style="list-style-type: none"> <li>• Any cash distribution to ADS holders</li> </ul>
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"> <li>• Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS holders</li> </ul>
\$.05 (or less) per ADS per calendar year	<ul style="list-style-type: none"> <li>• Depositary services Registration or transfer fees</li> </ul>
Registration or transfer fees	<ul style="list-style-type: none"> <li>• 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</li> </ul>
Expenses of the depositary	<ul style="list-style-type: none"> <li>• Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)</li> </ul>
	<ul style="list-style-type: none"> <li>• converting foreign currency to U.S. dollars</li> </ul>
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"> <li>• As necessary</li> </ul>
Any charges incurred by the depositary or its agents for servicing the deposited securities	<ul style="list-style-type: none"> <li>• As necessary</li> </ul>

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.

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

The Depository 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 depository 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 depository bank sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depository 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 depository banks.

In the event of refusal to pay the depository fees, the depository 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 depository 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 depository. You will receive prior notice of such changes.

## **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.” 86

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, 2021. Based on that evaluation, our principal executive officer and principal financial officer have concluded that, as of December 31, 2021, our disclosure controls and procedures were 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.

#### **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 designated 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, 2021 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 effective as of December 31, 2021.

Our independent registered public accounting firm, Ernst & Young Hua Ming LLP, has audited the effectiveness of our internal control over financial reporting as of December 31, 2021, as stated in its report, which appears on page F-4 of this annual report on Form 20-F.

## **Changes in Internal Control over Financial Reporting**

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.

Regarding the lack of sufficient financial reporting and accounting personnel to formalize and implement certain key policies and procedures over financial reporting process, we have implemented the following measures, including (i) promotion of our finance vice president, Ms. Yuanjun Ye to the Company's chief financial officer, who is an AICPA and has extensive experience in U.S. GAAP and SEC reporting; (ii) continuous provision of internal training to accounting and reporting personnel; and (iii) establishment of accounting manuals and policies.

Regarding the monitoring for international sales tax exposure, we have implemented the following measures including (i) designated a tax team consisting of certain accounting department personnel to prepare and review the Company's international sales tax exposures and accruals; (ii) periodic monitoring of the latest tax regulations for relevant countries, regions and tax jurisdictions; and (iii) registered, declared and paid the relevant international sales tax according to the regulations in various tax jurisdictions.

The implementation of the aforementioned have fully addressed the material weakness in our internal control over financial reporting, and therefore, no material weakness was identified for the year ended December 31, 2020.

In preparing our consolidated financial statements as of and for the year ended December 31, 2021 included in our annual report on Form 20-F for 2022, we did not identify any material weakness.

Other than as described above, there were no changes in our internal controls over financial reporting that occurred during the year ended December 31, 2020 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,	
	2020	2021
	(U.S. dollars in thousands)	
Audit Fees (1)		
KPMG Huazhen LLP	\$ 192	\$ —
Ernst & Young Hua Ming LLP	866	1,361
Tax Fees (2)		
Ernst & Young Hua Ming LLP	31	25
	1,089	1,386

- (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) “Tax fees” represent the aggregate fees billed in each of the fiscal years listed for professional services rendered by our principal auditors for tax compliance, tax advice, and tax planning.

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***

After a change in principal auditor in fiscal year 2019, Ernst & Young Hua Ming LLP was our principal auditor and audited fiscal year 2019, 2020 and 2021, 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.

**2019 Share Repurchase 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, and further extended to July 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 July 28, 2020, 2,704,589 of our ADSs at the cost of \$2.95 million were repurchased under this program.

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The following table sets forth information about our purchases of outstanding ADSs from December 24, 2019 to July 28, 2020.

Periods	Total Number of ADSs Purchased	Average Price Paid per ADS <sup>(1)</sup>	Total Number of ADSs Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup>	Approximate Dollar Value of ADSs that May Yet Be Purchased Under the Program <sup>(2)</sup>
December 2019	242,990	1.00	242,990	2.7 million
January 2020	346,803	1.05	346,803	2.4 million
February 2020	238,091	0.98	238,091	2.1 million
March 2020	141,934	0.96	141,934	2.0 million
April 2020	—	—	—	2.0 million
May 2020	—	—	—	2.0 million
June 2020	219,057	0.86	219,057	1.8 million
July 2020	1,515,714	1.12	1,515,714	0.1 million
Total	2,704,589	1.06	2,704,589	0.1 million

- (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.

The 2016 and 2019 share repurchase programs were 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.**

Not applicable

**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 Act (As Revised) 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 shareholders' 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 shareholders' approval is required.

**ITEM 16H. MINE SAFETY DISCLOSURE.**

Not applicable.

**ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

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.**

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1*	<a href="#">Fourth Amended and Restated Memorandum and Articles of Association of the Registrant as currently in effect</a>
1.2**	<a href="#">Amendment to Fourth Amended and Restated Memorandum and Articles of Association of the Registrant</a>
2.1*	<a href="#">Registrant's Form of Ordinary Share Certificate</a>
2.2†	<a href="#">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</a>
2.3†	<a href="#">Form of American depositary receipt evidencing American depositary shares (included in Exhibit 2.2)</a>
2.4*	<a href="#">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</a>
2.5*	<a href="#">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</a>
2.6**	<a href="#">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</a>
4.1*	<a href="#">Form of Indemnification Agreement between the Registrant and its directors and executive officers</a>
4.2*	<a href="#">Form of Employment Agreement between the Registrant and its executive officers</a>
4.3	<a href="#">Exclusive Technical and Consulting Service Agreement between Shenzhen Lanting Jishi and Lanting Gaochuang</a>
4.4	<a href="#">Business Operation Agreement among Shenzhen Lanting Jishi, Lanting Gaochuang and Lanting Gaochuang's shareholders</a>
4.5	<a href="#">Equity Disposal Agreement among Shenzhen Lanting Jishi, Lanting Gaochuang and Lanting Gaochuang's shareholders</a>
4.6	<a href="#">Share Pledge Agreement among Shenzhen Lanting Jishi, Lanting Gaochuang and Lanting Gaochuang's shareholders</a>
4.7	<a href="#">Loan Agreement between Mr. Quji (Alan) GUO and Shenzhen Lanting Jishi</a>
4.8	<a href="#">Powers of Attorney issued by each of Lanting Gaochuang's shareholders</a>
4.9	<a href="#">Supplementary Agreement to the Equity Disposal Agreement, Powers of Attorney and Share Pledge Agreement among Shenzhen Lanting Jishi, Lanting Gaochuang and Lanting Gaochuang's shareholders</a>

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4.10	<a href="#">Amended and Reinstated 2008 Share Incentive Plan of the Registrant</a>
4.11††	<a href="#">Amendment No. 1 to the LightInTheBox Holding Co., Ltd. Amended and Reinstated 2008 Share Incentive Plan</a>
4.12†††	<a href="#">Subscription Agreement dated as of March 17, 2016 between Zall Cross-Border E-Commerce Investment Company Limited and LightInTheBox Holding Co., Ltd.</a>
4.13**	<a href="#">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</a>
4.19	<a href="#">Agreements between Light In The Box Limited and Qianneng Fu and Declaration of Trust Executed</a>
4.20	<a href="#">Supplementary Agreement to the Agreement between Light In The Box Limited and Qianneng Fu as to Light Xiao</a>
4.21****	<a href="#">Share Purchase Agreement, dated as of November 7, 2018, by and among the Company and the parties set forth therein</a>
4.22	<a href="#">Exclusive Technical and Consulting Service Agreements between Shanghai Lanting and Chongqing Ruizhihe</a>
4.23	<a href="#">Exclusive Option Agreements between Shanghai Lanting, Chongqing Ruizhihe and the shareholders of Chongqing Ruizhihe</a>
4.24	<a href="#">Share Pledge Agreements between Shanghai Lanting and the shareholders of Chongqing Ruizhihe</a>
4.25	<a href="#">Loan Agreements between Shanghai Lanting and the shareholders of Chongqing Ruizhihe</a>
4.26	<a href="#">Powers of Attorney between Shanghai Lanting and the shareholders of Chongqing Ruizhihe</a>
4.27	<a href="#">Spousal Consent Letters issued by the spouses of the shareholders of Chongqing Ruizhihe</a>
8.1	<a href="#">List of Subsidiaries of the Registrant</a>
11.1*	<a href="#">Code of Business Conduct and Ethics of the Registrant</a>
12.1	<a href="#">Principal Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
12.2	<a href="#">Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
13.1	<a href="#">Principal Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
13.2	<a href="#">Principal Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
15.1	<a href="#">Consent of Ernst &amp; Young Hua Ming LLP</a>
15.2	<a href="#">Consent of Hiways Law Firm</a>
15.3	<a href="#">Consent of Maples and Calder (Hong Kong) LLP</a>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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- \* 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 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, 2018 (File No. 001-35942) filed on April 29, 2019 and incorporated herein by reference.
- \*\*\* 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.

**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 2, 2022

**LIGHTINTHEBOX HOLDING CO., LTD.**

LIGHTINTHEBOX HOLDING CO., LTD.

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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 sheets of LightInTheBox Holding Co., Ltd. (the “Company”) as of December 31, 2020 and 2021, the related consolidated statements of comprehensive income, changes in (deficit) equity and cash flows for each of the three years in the period ended December 31, 2021, 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, 2020 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated May 2, 2022 expressed an unqualified opinion thereon.

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

### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

***Valuation of equity investment without readily determinable fair value accounted for using the measurement alternative***

*Description of the Matter*

As of December 31, 2021, the carrying amount of the Group's equity investment without readily determinable fair value accounted for using the measurement alternative was US\$56.4 million. As discussed in Notes 2 and 8 to the consolidated financial statements, the Group elected to use the measurement alternative to measure the equity investment without readily determinable fair value 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. For the year ended December 31, 2021, gross unrealized gains (upward adjustments) of US\$38.8 million and gross unrealized losses (downward adjustments and impairment) of nil were recognized on the Group's equity investment without readily determinable fair value held at the reporting date in other income.

Auditing the valuation of the equity investment without readily determinable fair value accounted for using the measurement alternative was complex as significant judgment was required in the determination of whether an observable price change of an instrument issued by the same issuer is an orderly transaction and identical or similar to the investment held by the Group. In addition, significant judgment was required in assessing the resulting price adjustments for the different rights and obligations, which entails an evaluation of the difference in rights and obligations between the two instruments, such as liquidation preferences and redemption features, selection of appropriate valuation methodologies and underlying assumptions, such as expected volatility and the probability of exit events, to measure the price adjustment.

*How We Addressed the Matter  
In Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Group's processes of identifying similar instruments and determining the price adjustments of equity investments accounted for using the measurement alternative. For example, we tested controls over management's assessment of whether the observable price changes are orderly transactions, and the relating instruments are identical or similar to the instruments held by the Group. We also tested controls over management's review of the price adjustments recognized for the equity investment held.

To audit the valuation of the Group's equity investment without readily determinable fair value accounted for using the measurement alternative, we performed procedures that included, among others, reading the investment agreements to compare the rights and obligations of the instruments with observable price changes in an orderly transaction to the instrument held by the Group. We evaluated the appropriateness of the valuation methodologies and underlying assumptions used by management to derive the price adjustments with the assistance of our internal valuation specialists, including comparing expected volatility to those of comparable companies. We also evaluated management's assessment of the probability of exit events as it relates to an initial public offering, liquidation and redemption preferences, based on information available as of the observable transaction date.

Ernst & Young Hua Ming LLP  
We have served as the Company's auditor since 2019.  
Shanghai, The People's Republic of China  
May 2, 2022

## **Report of Independent Registered Public Accounting Firm**

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

### **Opinion on Internal Control Over Financial Reporting**

We have audited LightInTheBox Holding Co., Ltd.'s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, LightInTheBox Holding Co., Ltd. (the "Company") maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2020 and 2021, the related consolidated statements of comprehensive income, changes in (deficit) equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and our report dated May 2, 2022 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting 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 the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the 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 to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Ernst & Young Hua Ming LLP  
Shanghai, The People's Republic of China  
May 2, 2022

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,	
		2020	2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 61,477	\$ 55,942
Restricted cash		4,052	3,660
Accounts receivable, net of allowance for credit losses		1,302	1,625
Amounts due from related parties	18	2,882	2,730
Inventories		9,919	11,997
Prepaid expenses and other current assets	3	5,176	7,947
<b>Total current assets</b>		<b>84,808</b>	<b>83,901</b>
Property and equipment, net	4	3,812	3,312
Intangible assets, net	6	9,416	8,232
Goodwill	5	29,745	30,440
Operating lease right-of-use assets	7	12,243	11,584
Long-term rental deposits		707	1,218
Long-term investments	8	17,297	56,383
Other non-current assets		—	296
<b>TOTAL ASSETS</b>		<b>\$ 158,028</b>	<b>\$ 195,366</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable (including accounts payable of the consolidated VIEs without recourse to LightInTheBox Holding Co., Ltd. of \$17 and \$nil as of December 31, 2020 and 2021, respectively)		\$ 16,953	\$ 23,535
Amounts due to related parties	18	167	—
Advance from customers		33,279	24,789
Operating lease liabilities	7	4,269	3,784
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 \$1,568 and \$490 as of December 31, 2020 and 2021, respectively)	9	42,183	57,819
<b>Total current liabilities</b>		<b>96,851</b>	<b>109,927</b>
Operating lease liabilities	7	8,118	7,864
Long-term payable	7	124	78
Deferred tax liabilities	13	3,558	517
Unrecognized tax benefits	13	—	13,101
<b>TOTAL LIABILITIES</b>		<b>\$ 108,651</b>	<b>\$ 131,487</b>
<b>EQUITY</b>			
Ordinary shares (\$0.000067 par value; 750,000,000 shares authorized; 244,895,045 and 244,955,045 shares issued as of December 31, 2020 and 2021, respectively; 224,038,611 and 226,080,381 shares outstanding as of December 31, 2020 and 2021, respectively)	10	\$ 17	\$ 17
Additional paid-in capital		282,260	282,382
Treasury shares (18,934,988 and 18,588,418 shares as of December 31, 2020 and 2021, respectively)		(30,207)	(29,309)
Accumulated other comprehensive income		1,795	2,737
Accumulated deficit		(204,571)	(192,072)
Non-controlling interests		83	124
<b>TOTAL EQUITY</b>		<b>49,377</b>	<b>63,879</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 158,028</b>	<b>\$ 195,366</b>

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		
		2019	2020	2021
Revenues				
Product sales	17	\$ 236,705	\$ 382,075	\$ 435,170
Services and others	17	6,921	16,076	10,933
<b>Total revenues</b>		<b>243,626</b>	<b>398,151</b>	<b>446,103</b>
Cost of revenues				
Product sales		144,061	211,430	235,237
Services and others		1,968	10,567	4,156
<b>Total cost of revenues</b>		<b>146,029</b>	<b>221,997</b>	<b>239,393</b>
<b>Gross profit</b>		<b>97,597</b>	<b>176,154</b>	<b>206,710</b>
Operating expenses:				
Fulfillment		24,900	27,967	29,588
Selling and marketing		51,111	112,146	154,176
General and administrative		37,811	33,160	39,733
Other operating income		(173)	(974)	(675)
<b>Total operating expenses</b>		<b>113,649</b>	<b>172,299</b>	<b>222,822</b>
<b>(Loss) / Income from operations</b>		<b>(16,052)</b>	<b>3,855</b>	<b>(16,112)</b>
Interest income		297	103	59
Interest expense		(66)	(92)	(13)
Change in fair value of convertible promissory notes		14,591	—	—
Other income, net	8	283	12,898	39,322
<b>Total other income</b>		<b>15,105</b>	<b>12,909</b>	<b>39,368</b>
<b>(Loss) / Income before income taxes and share of income and gain from equity method investment</b>		<b>(947)</b>	<b>16,764</b>	<b>23,256</b>
Income tax expense	13	(113)	(3,418)	(9,802)
Share of income and gain from equity method investment	8	2,118	—	—
<b>Net income</b>		<b>1,058</b>	<b>13,346</b>	<b>13,454</b>
Less: Net income attributable to non-controlling interests		59	29	325
<b>Net income attributable to LightInTheBox Holding Co., Ltd.</b>		<b>\$ 999</b>	<b>\$ 13,317</b>	<b>\$ 13,129</b>
<b>Net income per ordinary share - basic</b>	14	<b>\$ 0.01</b>	<b>\$ 0.06</b>	<b>\$ 0.06</b>
<b>Net (loss) / income per ordinary share - diluted</b>	14	<b>\$ (0.06)</b>	<b>\$ 0.06</b>	<b>\$ 0.06</b>

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

**LIGHTINTHEBOX HOLDING CO., LTD.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(U.S. dollars in thousands, or otherwise noted)**

	Year ended December 31		
	2019	2020	2021
<b>Net income</b>	<b>\$ 1,058</b>	<b>\$ 13,346</b>	<b>\$ 13,454</b>
<b>Other comprehensive (loss) / income:</b>			
Foreign currency translation adjustment, net of nil income taxes	(512)	3,239	942
<b>Total comprehensive income</b>	<b>\$ 546</b>	<b>\$ 16,585</b>	<b>\$ 14,396</b>
Less: comprehensive income attributable to non-controlling interests	59	29	325
<b>Comprehensive income attributable to LightInTheBox Holding Co., Ltd.</b>	<b>\$ 487</b>	<b>\$ 16,556</b>	<b>\$ 14,071</b>

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	Accumulated Other Comprehensive (Loss) / Income	Accumulated Deficit	Non-controlling Interests	Total (Deficit) / Equity
	Shares	Amount							
<b>Balance at January 1, 2019</b>	<b>134,456,369</b>	<b>\$ 11</b>	<b>\$ 239,269</b>	<b>\$ —</b>	<b>\$ (27,261)</b>	<b>\$ (932)</b>	<b>\$ (218,887)</b>	<b>\$ (5)</b>	<b>\$ (7,805)</b>
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)
<b>Balance at December 31, 2019</b>	<b>187,214,651</b>	<b>\$ 14</b>	<b>\$ 262,888</b>	<b>\$ 15,769</b>	<b>\$ (27,512)</b>	<b>\$ (1,444)</b>	<b>\$ (217,888)</b>	<b>\$ 54</b>	<b>\$ 31,881</b>
Issuance of ordinary shares upon conversion of convertible promissory notes	37,545,158	3	15,766	—	—	—	—	—	15,769
Forward contracts	—	—	—	(15,769)	—	—	—	—	(15,769)
Issuance of ordinary shares upon vesting of nonvested shares	4,202,000	—	—	—	—	—	—	—	—
Share-based compensation	—	—	3,606	—	—	—	—	—	3,606
Repurchase of ordinary shares	(4,923,198)	—	—	—	(2,695)	—	—	—	(2,695)
Net income	—	—	—	—	—	—	13,317	29	13,346
Foreign currency translation adjustment, net of nil income taxes	—	—	—	—	—	3,239	—	—	3,239
<b>Balance at December 31, 2020</b>	<b>224,038,611</b>	<b>\$ 17</b>	<b>\$ 282,260</b>	<b>\$ —</b>	<b>\$ (30,207)</b>	<b>\$ 1,795</b>	<b>\$ (204,571)</b>	<b>\$ 83</b>	<b>\$ 49,377</b>
Issuance of ordinary shares upon vesting of nonvested shares	1,695,200	—	—	—	—	—	—	—	—
Share-based compensation	—	—	1,382	—	—	—	—	—	1,382
Issuance of ordinary shares	346,570	—	—	—	898	—	(630)	—	268
Net income	—	—	—	—	—	—	13,129	325	13,454
Acquisition of non-controlling interests	—	—	(1,260)	—	—	—	—	(284)	(1,544)
Foreign currency translation adjustment, net of nil income taxes	—	—	—	—	—	942	—	—	942
<b>Balance at December 31, 2021</b>	<b>226,080,381</b>	<b>\$ 17</b>	<b>\$ 282,382</b>	<b>\$ —</b>	<b>\$ (29,309)</b>	<b>\$ 2,737</b>	<b>\$ (192,072)</b>	<b>\$ 124</b>	<b>\$ 63,879</b>

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		
	2019	2020	2021
<b>Cash flows from operating activities</b>			
Net income	\$ 1,058	\$ 13,346	\$ 13,454
<i>Adjustments to reconcile net income to net cash used in operating activities:</i>			
Depreciation and amortization	2,518	2,443	3,299
(Gain) / Loss on disposal of property and equipment	(1)	106	3
Share-based compensation	2,060	3,606	1,382
Unrealized foreign exchange (gain) / loss	(129)	(1,407)	1,132
Share of income and gain from equity method investment	(1,988)	—	—
Fair value change of equity investment without readily determinable fair values under the measurement alternative	—	(13,450)	(38,834)
Change in fair value of convertible promissory notes	(14,591)	—	—
Allowance for credit losses	(199)	(688)	407
Inventory (reversal when sold) / write-down	(458)	(108)	880
Deferred income tax	—	3,363	9,827
<i>Changes in operating assets and liabilities:</i>			
Accounts receivable	(777)	859	(731)
Inventories	1,582	(2,455)	(2,957)
Prepaid expenses and other current assets	3,416	(2,005)	(2,837)
Amounts due from related parties	(377)	315	62
Long-term rental deposits	353	71	(511)
Accounts payable	4,702	(690)	6,582
Amounts due to related parties	(4,767)	(19)	(167)
Advance from customers	3,999	11,548	(8,490)
Accrued expenses and other current liabilities	5,292	14,373	15,808
Operating lease right-of-use assets	(11,976)	(10)	660
Operating lease liabilities	12,165	116	(740)
<b>Net cash provided by / (used in) operating activities</b>	<b>1,882</b>	<b>29,314</b>	<b>(1,771)</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	(917)	(2,233)	(1,013)
Purchase of intangible assets	—	—	(56)
Capitalized internal use software	—	(1,627)	(827)
Proceeds from disposal of property and equipment	236	621	64
Proceeds from disposal of long-term investment	—	1,403	89
<b>Net cash used in investing activities</b>	<b>(681)</b>	<b>(1,836)</b>	<b>(1,743)</b>
<b>Cash flows from financing activities</b>			
Principal repayment of finance leases	(300)	(991)	(44)
Proceeds from issuance of ordinary shares	—	—	268
Repurchase of ordinary shares	(251)	(2,695)	—
Payment for acquisition of non-controlling interests	—	—	(1,544)
<b>Net cash used in financing activities</b>	<b>(551)</b>	<b>(3,686)</b>	<b>(1,320)</b>
Net increase / (decrease) in cash, cash equivalents and restricted cash	650	23,792	(4,834)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(7)	1,292	(1,093)
Cash, cash equivalents and restricted cash at beginning of year	39,802	40,445	65,529
<b>Cash, cash equivalents and restricted cash at end of year</b>	<b>\$ 40,445</b>	<b>\$ 65,529</b>	<b>\$ 59,602</b>
Reconciliation of cash and cash equivalents and restricted cash to the consolidated balance sheets			
Cash and cash equivalents	37,736	61,477	55,942
Restricted cash	2,709	4,052	3,660
<b>Total cash and cash equivalents and restricted cash</b>	<b>\$ 40,445</b>	<b>\$ 65,529</b>	<b>\$ 59,602</b>
<b>Supplemental cash flow information:</b>			
Income taxes paid	\$ (133)	\$ (27)	\$ (11)
Interest expense paid	\$ (66)	\$ (92)	\$ (13)
<b>Noncash investing activities:</b>			
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	\$ 10,261	\$ 4,655
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, 2019, 2020 AND 2021  
(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. 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 interests as if the Company had been in existence and owned Light In The Box since June 2007.

Light In The Box Trading (Shenzhen) Co., Ltd. (“Shenzhen 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, and provides supplier chain management, research and development, customer service and marketing services.

Light In The Box (Chengdu) Technology Co. Limited (“Chengdu Lanting”) was established in 2014 in the PRC as a wholly-owned subsidiary and primarily engages in mobile application software development and information technology support.

In December 2018, the Company acquired the total issued share capital of Ezbuy Holding Co., Limited (“Ezbuy”). Ezbuy was incorporated in the Cayman Islands in November 2014 by its five founding shareholders, together with its consolidated subsidiaries and its VIEs and primarily engages in online retailing to sell and deliver products and services to consumers in South-East Asia.

Ezbuy Holdings limited (“Ezbuy HK”) was established in December 2014 in Hong Kong as a wholly-owned subsidiary of Ezbuy and primarily engages in product sourcing, marketing and the operation of our websites and mobile applications and the sale of products to consumers.

Avant E-commerce Service PTE. LTD. and Ching International Service PTE. LTD. were incorporated in 2012 and 2009 in Singapore respectively, as wholly-owned subsidiaries of Ezbuy and primarily engage in marketing and customer service targeted towards consumers in Singapore. Avant Logistic Service PTE. LTD. (“AVANT (L)”) was established in 2013 in Singapore and Ezbuy held 80% of AVANT (L)’s shares after the Company’s acquisition of Ezbuy in 2018. In 2021, Ezbuy purchased the remaining 20% of AVANT (L)’ shares from a company controlled by the Group’s managements. Upon the share transfer, AVANT(L) became 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.

Shanghai Light In The Box Information Technology Co., Ltd (“Shanghai Lanting”), Beijing Light In The Box Information Technology Co., Ltd (“Beijing Lanting”) and Shenzhen Light In The Box Information Technology Co., Ltd (“Shenzhen Lanting”) were established in 2020, 2021 and 2021, respectively, in the PRC as wholly-owned subsidiaries of Light In The Box and primarily engage in providing supply chain management, research and development, customer service and marketing services.

Jiaying Ruili Supply Chain Management Co., Limited (“Jiaying Ruili”) was established in December 2021 in the PRC as a wholly-owned subsidiary. Dongguan Herui Supply Chain Management Co., Limited (“Dongguan Herui”) and Shenzhen Ruizhihe Supply Chain Management Co., Limited (“Shenzhen Ruizhihe”) were established in the PRC previously as the Group’s VIEs in September 2020 and May 2021, but further transitioned to become wholly-owned subsidiaries of the Group in September 2021 and October 2021, respectively. Jiaying Ruili, Dongguan Herui and Shenzhen Ruizhihe primarily engage in warehousing and fulfillment services.

LIGHTINTHEBOX HOLDING CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021  
(U.S. dollars in thousands, or otherwise noted)

*(b) The VIE arrangements*

The Group's VIEs were originally established to operate its PRC websites, under which is currently limited by the PRC regulations on direct foreign ownership. Prior to 2021, the Group conducted certain aspects of its business in the PRC through its seven VIEs which include Shenzhen Lanting Huitong Technologies Co., Ltd. ("Lanting Huitong"), Beijing Lanting Gaochuang Technologies Co., Ltd. ("Lanting Gaochuang"), Shenzhen Xuyi International logistics Co., Ltd. ("Shenzhen Xuyi"), Chongqing Xuyi E-Commerce Co., Ltd. ("Chongqing Xuyi"), Jiaxing Xuyang Logistics Co., Ltd. ("Jiaxing Xuyang"), Chongqing Ruizhihe E-Commerce Co., Ltd. ("Chongqing Ruizhihe"), and Dongguan Herui. In 2021, Shenzhen Ruizhihe was established in the PRC as the Group's VIE.

Through a series of contractual arrangements (as described below) among Shenzhen Lanting Jishi, Lanting Huitong and Lanting Gaochuang, and the respective shareholders of Lanting Huitong and Lanting Gaochuang, Laiting Huidong and Lanting Gaochuang became the Group's VIEs. Through the contractual arrangements (as described below) among Qianhai Xuyi, Shenzhen Xuyi, Chongqing Xuyi, Jiaxing Xuyang and the respective shareholders of Shenzhen Xuyi, Chongqing Xuyi and Jiaxing Xuyang, Shenzhen Xuyi, Chongqing Xuyi and Jiaxing Xuyang became the Group's VIEs. Through the contractual arrangements (as described below) among Shanghai Lanting, Chongqing Ruizhihe, Dongguan Herui and Shenzhen Ruizhihe, and the respective shareholders of Chongqing Ruizhihe, Dongguan Herui and Shenzhen Ruizhihe, Chongqing Ruizhihe, Dongguan Herui and Shenzhen Ruizhehe became the Group's VIEs.

In 2021, since these PRC websites were no longer in operation, the Group have been gradually closing the VIEs or transferring the shares to its wholly-owned subsidiaries. During the year of 2021, Shenzhen Xuyi and Chongqing Xuyi were closed and the shares of Lanting Huitong, Jiaxing Xuyang, Dongguan Herui and Shenzhen Ruizhihe were transferred from its nominee shareholders to the Group's wholly-owned subsidiaries at nominal value. As a result of the share transfer, the original contractual arrangements of the above VIEs were legally terminated. The Group continued to consolidate the above VIEs through voting interest model in 2021. As of December 31, 2021, Lanting Gaochuang controlled by Shenzhen Lanting Jishi and Chongqing Ruizhihe controlled by Shanghai Lanting remained as the Group's VIEs.

The following is a summary of the contractual agreements that provide Shenzhen Lanting Jishi effective control over Lanting Huitong and Lanting Gaochuang (collectively, the "Shenzhen Lanting Jishi VIEs"), Qianhai Xuyi effective control over Shenzhen Xuyi, Chongqing Xuyi and Jiaxing Xuyang (collectively, the "Ezbuy VIEs"), and Shanghai Lanting effective control over Chongqing Ruizhihe, Dongguan Herui and Shenzhen Ruizhihe (collectively, the "Shanghai Lanting VIEs") for all periods presented.

*(i) Shenzhen Lanting Jishi VIEs*

**Powers of Attorney:** Each registered shareholder of Shenzhen Lanting Jishi VIEs has executed a Power of Attorney appointing Shenzhen 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 Shenzhen Lanting Jishi 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 Shenzhen Lanting Jishi VIEs.

**Equity Disposal Agreements:** Under the Equity Disposal Agreements entered into among Shenzhen Lanting Jishi, Shenzhen Lanting Jishi VIEs, and the shareholders of Shenzhen Lanting Jishi VIEs, Shenzhen 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 Shenzhen Lanting Jishi 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 Shenzhen Lanting Jishi's sole option. Shenzhen Lanting Jishi has the right to terminate this agreement at any time by giving thirty days' written notice to other parties.

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**Spousal Consent Letters:** Under the Spousal Consent Letters, the spouses of certain shareholders of Lanting Huitong acknowledged that a certain percentage of the equity interest in Lanting Huitong held by and registered in the name of their respective spouse will be disposed of pursuant to the Equity Disposal Agreement and Share Pledge Agreement. These spouses understand that such equity interest is held by their respective spouse on behalf of Shenzhen 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 Shenzhen Lanting Jishi's sole discretion.

**Loan Agreements:** 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 for his contribution of 51% of the registered capital of Lanting Gaochuang. Under this agreement, Mr. Jian 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 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'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 Shenzhen Lanting Jishi***

**Business Operation Agreements:** Under the Business Operation Agreements entered into among Shenzhen Lanting Jishi, Shenzhen Lanting Jishi VIEs, and the shareholders of Shenzhen Lanting Jishi VIEs, the registered shareholders of Shenzhen Lanting Jishi VIEs and Shenzhen Lanting Jishi VIEs agreed that Shenzhen Lanting Jishi VIEs may not enter into any transaction that could materially affect their assets, liabilities, interests or operations without prior written consent from Shenzhen Lanting Jishi or other party designated by Shenzhen 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 Shenzhen Lanting Jishi VIEs must be Shenzhen Lanting Jishi's nominees. Furthermore, Shenzhen Lanting Jishi VIEs and their registered shareholders have agreed to accept and stringently implement proposals set forth by Shenzhen Lanting Jishi regarding employment and business and financial management. Shenzhen Lanting Jishi is entitled to any dividends declared by Shenzhen Lanting Jishi VIEs. The Business Operation Agreements will be valid until the liquidation of Shenzhen Lanting Jishi VIEs, unless terminated earlier at Shenzhen Lanting Jishi's sole discretion.

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**Exclusive Technical Support and Consulting Service Agreements:** Under the Exclusive Technical Support and Consulting Service Agreements entered into between Shenzhen Lanting Jishi and Shenzhen Lanting Jishi VIEs, Shenzhen Lanting Jishi agreed to provide Shenzhen Lanting Jishi 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. Shenzhen Lanting Jishi 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 Shenzhen Lanting Jishi VIEs, unless terminated earlier at Shenzhen Lanting Jishi's sole discretion.

**Share Pledge Agreements:** Under the Share Pledge Agreements entered into among Shenzhen Lanting Jishi, Shenzhen Lanting Jishi VIEs, and the shareholders of Shenzhen Lanting Jishi VIEs, the registered shareholders of Shenzhen Lanting Jishi VIEs pledged all of their respective equity interest in favor of Shenzhen Lanting Jishi to secure Shenzhen Lanting Jishi 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 Shenzhen Lanting Jishi VIEs or any of their respective registered shareholders breach any of their respective contractual obligations under these agreements, Shenzhen Lanting Jishi, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interest. The registered shareholders of Shenzhen Lanting Jishi VIEs agreed not to transfer, sell, pledge, dispose of or otherwise create any new encumbrance on their respective equity interest in Shenzhen Lanting Jishi VIEs, without Shenzhen Lanting Jishi's prior written consent. Unless terminated at Shenzhen Lanting Jishi's sole discretion, the share pledge agreements will be valid until Shenzhen Lanting Jishi 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.

(ii) *Ezbuy VIEs*

**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 ten 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 Ezbuy 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 sole option.

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**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 Qianhai Xuyi'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.

**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 Exclusive Option Agreements and Share Pledge Agreements. 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.

**(iii) Shanghai Lanting VIEs**

**Exclusive Technical Support and Consulting Service Agreements:** Under the Exclusive Technical Support and Consulting Service Agreements entered into between Shanghai Lanting and Shanghai Lanting VIEs, Shanghai Lanting agreed to provide Shanghai Lanting VIEs with technical 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. Shanghai 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 Shanghai Lanting 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 Shanghai Lanting VIEs; and (2) the amount of cash required for the respective Shanghai Lanting VIEs' capital expenditures. The Exclusive Technical Support and Consulting Service Agreements will be valid for ten years and automatically renewed for another ten years at the end of each period unless terminated earlier at Shanghai Lanting's sole discretion or the liquidation of Shanghai Lanting VIEs.

**Powers of Attorney:** Each registered shareholder of Shanghai Lanting VIEs has executed a Power of Attorney appointing Shanghai Lanting 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 Shanghai 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 Shanghai Lanting VIEs.

**Exclusive Option Agreements:** Under the Exclusive Option Agreements entered into among Shanghai Lanting, Shanghai Lanting VIEs, and the shareholders of Shanghai Lanting VIEs, Shanghai Lanting 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 Shanghai 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. If the exercise price for the options is higher than the respective equity investment cost, Shanghai Lanting VIEs agree to repay the difference between the exercise price and equity investment cost to Shanghai Lanting or its designated party. The agreements are valid for ten years and will be extended indefinitely unless terminated at Shanghai Lanting's sole discretion.

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**Loan Agreements:** Under the Loan Agreements entered into in September 2020 and May 2021 between Shanghai Lanting and the registered shareholders of Shanghai Lanting VIEs, Shanghai Lanting extended two loans to the registered shareholders of Shanghai Lanting VIEs, including a loan in the amount of \$77 (RMB500,000) to the registered shareholders of Dongguan Herui, a loan in the amount of \$153 (RMB1,000,000) to the registered shareholders of Chongqing Ruizhihe, and a loan in the amount of \$78 (RMB500,000) to the registered shareholders of Shenzhen Ruizhihe, to be contributed as the registered capital of Shanghai Lanting VIEs. Under these agreements, the registered shareholders of Shanghai Lanting VIEs agreed that without prior written consent from Shanghai Lanting, Shanghai Lanting VIEs 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 Shanghai Lanting VIEs before such loan has been repaid. These loans could only be repaid by transferring all of the registered shareholders of Shanghai Lanting VIEs' equity interest in Shanghai Lanting VIEs to Shanghai Lanting or a third party designated by Shanghai Lanting, and submitting all proceeds from such transaction to Shanghai Lanting. The Loan Agreements had a term of ten years and will be extended automatically, unless indicated otherwise by Shanghai Lanting in writing three months prior to the contract expiration date.

**Share Pledge Agreements:** Under the Share Pledge Agreements entered into among Shanghai Lanting, Shanghai Lanting VIEs, and the shareholders of Shanghai Lanting VIEs, the registered shareholders of Shanghai Lanting VIEs pledged all of their respective equity interest in favor of Shanghai Lanting to secure Shanghai Lanting 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 Shanghai Lanting VIEs or any of their respective registered shareholders breach any of their respective contractual obligations under these agreements, Shanghai Lanting, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interest. The registered shareholders of Shanghai Lanting VIEs agreed not to transfer, sell, pledge, dispose of or otherwise create any new encumbrance on their respective equity interest in Shanghai Lanting VIEs, without Shanghai Lanting's prior written consent. The Share Pledge Agreements will be valid until Shanghai Lanting VIEs and their shareholders fulfill all contractual obligations under the Exclusive Option Agreements and the Exclusive Technical Support and Consulting Service Agreements.

**Spousal Consent Letters:** Under the Spousal Consent Letters, the spouses of the registered shareholders of Shanghai Lanting VIEs acknowledged that a certain percentage of the equity interest in Shanghai Lanting VIEs held by and registered in the name of their respective spouse will be disposed of pursuant to the Exclusive Option Agreements and Share Pledge Agreements. These spouses understand that such equity interest is held by their respective spouse on behalf of Shanghai Lanting, 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.

**(c) Risks in relation to the Group's 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 or key employees 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;

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- 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 or the right to receive their economic benefits, the Group would possibly no longer be able to consolidate the VIEs.

To mitigate the uncertainties in the corporate structure and increase control on the operating entities, the two remaining VIEs which include Lanting Gaochuang and Chongqing Ruizhihe are expected to be closed or transitted to the Group's wholly-owned subsidiaries in 2022.

The following consolidated financial information of the Group's VIEs and its subsidiary 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:

	<u>December 31,</u>	
	<u>2020</u>	<u>2021</u>
Total assets	\$ 24,667	\$ 9,294
Total liabilities	\$ 5,178	\$ 779

	<u>Year ended December 31,</u>		
	<u>2019</u>	<u>2020</u>	<u>2021</u>
Revenues	\$ 1,054	\$ 6,827	\$ 790
Net loss	\$ (8,496)	\$ (187)	\$ (295)

	<u>Year ended December 31,</u>		
	<u>2019</u>	<u>2020</u>	<u>2021</u>
Net cash provided by operating activities	\$ 1,193	\$ 632	\$ 3,758
Net cash (used in) / provided by investing activities	\$ (188)	\$ 826	\$ 381
Net cash provided by financing activities	\$ —	\$ —	\$ —

As of December 31, 2020 and 2021, there was no pledge or collateralization of the consolidated VIEs' assets that 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.

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**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.

***(c) Non-controlling Interests***

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

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 income attributable to the Company is the total consolidated net income less the net income attributable to the non-controlling interests.

Changes in the Company’s ownership interest while the Company retains its controlling interest in its subsidiary shall be accounted for as equity transactions. Therefore, no gain or loss will be recognized in consolidated net income / (loss) or comprehensive income / (loss). The carrying amount of the non-controlling interest will be adjusted to reflect the change in its ownership interest in the subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the non-controlling interest is adjusted will be recognized in equity attributable to the Company.

***(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 the allowance for credit losses of accounts receivables, inventory valuation, the useful lives of property 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, the fair value of equity investment without readily determinable fair value accounted for using the measurement alternative, impairment of equity investment without readily determinable fair value, the fair value determination and estimated forfeiture rates for share-based compensation awards, the fair value determination for convertible promissory notes, and sales returns allowances.

***(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.

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(U.S. dollars in thousands, or otherwise noted)**(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.

**(g) Accounts receivable, net of allowance for credit losses**

On January 1, 2020, the Group adopted Accounting Standards Update ("ASU") No. 2016-13, *Financial instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), using the modified retrospective transition method, which had no effect on the opening balance of accumulated deficit on January 1, 2020. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. Upon adoption, the Group changed the impairment model to utilize a forward-looking current expected credit losses (CECL) model in place of the incurred loss methodology for financial instruments measured at amortized cost.

Prior to the Group's adoption of ASU 2016-13, accounts receivable are carried at net realizable value. An allowance for credit losses is recorded when collection of the full amount is no longer probable. In evaluating the collectability of receivable balances, the Group considers specific evidence including the aging of the receivable, the customer's payment history, its current credit-worthiness and current economic trends. Accounts receivable are recognized and carried at the original amount less an allowance for credit losses.

After the adoption of ASU 2016-13, the Group maintains an allowance for credit losses and records the allowance for credit losses as an offset to accounts receivable. The estimated credit losses charged to the allowance is classified as "General and administrative" in the consolidated statements of operations. The Group assesses collectability by reviewing accounts receivable on a collective basis where similar characteristics exist, primarily based on similar business line, service or product offerings and on an individual basis when the Group identifies specific customers with known disputes or collectability issues. In determining the amount of the allowance for credit losses, the Group considers historical collectability based on past due status, the age of the accounts receivable balances, credit quality of the Group's customers based on ongoing credit evaluations, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect the Group's ability to collect from customers. Accounts receivable are written off after all collection efforts have ceased.

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, 2020 and 2021, accounts receivable included receivables due from B2B partners, accounts receivable for cash collected by supplemental online outlets, accounts receivable for logistic services, accounts receivable for cash collected by the delivery service providers on behalf of the Group. 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. As of December 31, 2020 and 2021, the allowance of credit losses was \$885 and \$1,852, respectively.

The movements in the allowance for credit losses of accounts receivable were as follows:

	Year ended December 31,		
	2019	2020	2021
<b>Balance at beginning of the year</b>	533	1,418	885
Additions	1,251	—	—
Adoption of ASU 2016-13	—	1	968
Reversals	—	(26)	—
Write-offs	(366)	(508)	(1)
<b>Balance at end of the year</b>	<b>\$ 1,418</b>	<b>\$ 885</b>	<b>\$ 1,852</b>

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(U.S. dollars in thousands, or otherwise noted)****(h) 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. Reversals of \$458 and \$108 when sold and write down of \$880 were recorded in cost of revenues in the consolidated statements of operations for the years ended December 31, 2019, 2020 and 2021, respectively.

**(i) 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 is calculated on a straight-line basis over the following estimated useful lives:

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

**(j) 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.

	<u>Useful lives</u>
Domain name/Trade name	Indefinite life
Technology platform	1 year
Non-compete agreement	2 years
Customer base	4.3 years
Technology	3-5 years
Members	4 years
Branding	10 years
In-progress orders	0.1 year

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**(k) Internal use software**

The Group capitalizes payroll costs incurred for the development of computer software for internal use pursuant to ASC Topic 350-40, *Intangibles—Goodwill and Others—Internal use software*. The Group capitalizes the costs during the development of the project, when it is determined that it is probable that the project will be completed, and the software will be used as intended. Costs related to preliminary project activities, post-implementation activities, training and maintenance are expensed as incurred. Internal use software is amortized on a straight-line basis over its estimated useful life, which is generally three years. Capitalized internal use software is recorded in “Intangible assets, net” on the consolidated balance sheets.

**(l) Long-term investments**

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

Equity investments without readily determinable fair value

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 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 Group 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.

For those equity investments that the Group elects to use the measurement alternative, the Group 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.

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 year ended December 31, 2019. The Group did not have any equity method investment as of December 31, 2020 and 2021.

**(m) Impairment of long-lived assets and definite-lived intangible assets**

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

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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.

*(n) 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 events 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. The Group adopted ASU No. 2017-04 *Simplifying the Test for Goodwill Impairment* ("ASU 2017-04") on January 1, 2020, which simplifies the accounting for goodwill impairment by eliminating step two from the goodwill impairment test. The adoption of this standard did not have an impact on the Group's consolidated financial statements.

Prior to the adoption of ASU 2017-04, the Group performs a two-step quantitative impairment test. In performing the two-step goodwill impairment test, 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. Subsequent to the adoption of the ASU 2017-04, the quantitative impairment test compares the fair value of the reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess.

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.

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**(o) 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 values 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.

**(p) Treasury shares**

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 (loss) / income per ordinary share. Treasury shares are recorded at cost.

**(q) 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 logistics services to companies and to individual customers.

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.

*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; and (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 a reduction of revenues at the time of future purchase. Since the points are not earned based a concurrent sales transaction, no accruals are made at the time when points are earned by the registered members.

Prime membership revenues which are included in product sales, are amortized over the membership period on a straight-line basis. Prime is a subscription-based membership program. Items purchased from Prime shop enjoy flat international shipping per checkout. Prime membership revenues for the years ended December 31, 2019, 2020 and 2021 were \$1,394, \$1,166 and \$810, respectively.

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Customers in the Middle East can also choose to pay upon the receipt of the Group's products, which is called the cash on delivery, or COD. For COD, the Group's delivery service providers collect the payments from the customers for the Group. The Group recorded an accounts receivable on the balance sheet when the customers receive their products from the Group's delivery service providers.

Product sales, net of discounts, an allowance for sales return 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. Sales return allowances, which reduce revenues, are estimated utilizing the expected value method based on historical experience of returns. The Group allowed customers to return the goods with no quality-related issues within 7 days of receipt of shipment. The Group allows customers to return most 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 sales return allowances are included in "Accrued expenses and other current liabilities" and were \$586 and \$680 as of December 31, 2020 and 2021.

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 \$36,691, \$74,896 and \$90,576 for the years ended December 31, 2019, 2020 and 2021, respectively.

*Services and others*

The Group derives services revenues mainly from provision of logistic services to companies and 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. Revenues from provision of systems and technical services for the years ended December 31, 2019, 2020 and 2021 were \$1,198, \$nil and \$nil, respectively.

*Contract liabilities*

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 liabilities are presented in the following table for the years ended December 31, 2020 and 2021:

	For the year ended	
	December 31, 2020	December 31, 2021
<b>Contract liabilities as of January 1</b>	<b>\$ 14,330</b>	<b>\$ 25,814</b>
Cash received in advance, net of VAT	418,006	457,749
Revenue recognized from opening balance of contract liabilities	(14,330)	(25,814)
Revenue recognized from contract liabilities arising during current year	(392,192)	(439,510)
<b>Contract liabilities as of December 31</b>	<b>\$ 25,814</b>	<b>\$ 18,239</b>

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.

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***(r) 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-downs. 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.

***(s) 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.

***(t) Selling and marketing***

Selling and marketing expenses consist primarily of search engine marketing and advertising, affiliate market program expenditures, 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 fees charged to the Group are on a "cost-per-click" basis. Advertising expense includes fees paid to on-line advertisers who assist the Group to advertise at targeted websites. Such fees are charged at a fixed rate or calculated based on traffic directed to the Group's websites. The advertising expenses for the years ended December 31, 2019, 2020 and 2021 were \$41,975, \$103,618 and \$142,397, respectively.

***(u) 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, provision for credit losses 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, 2019, 2020 and 2021 were \$17,871, \$15,156 and \$20,338, respectively.

General and administrative expenses also include chargebacks relating to fraudulent credit card activities 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, 2019, 2020 and 2021 were \$1,836, \$2,225 and \$1,352, respectively.

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***(v) Government subsidies***

Government subsidies primarily consist of financial subsidies received from local governments for operating a business in their jurisdictions and compliance with specific policies promoted by the local governments. There are no defined rules and regulations to govern the criteria necessary for companies to receive such benefits, and the amount of financial subsidy is determined at the discretion of the relevant government authorities. For the government subsidies with no further conditions to be met, the amounts are recorded as operating income in “Other operating income”, or as a reduction of specific cost or expenses if such subsidies are intended to compensate such amounts. The government subsidies with certain operating conditions are recorded as liabilities when received and will be recorded as “Other operating income” or as a reduction of specific cost or expenses when the conditions are met.

***(w) Fair value measurements***

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.

***(x) 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, 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, advance from customers and accrued expenses and other current liabilities as of December 31, 2020 and 2021 approximate their fair values due to short-term maturities.

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.

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Goodwill, long-term investments and long-lived assets are measured at fair value on a nonrecurring basis only 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 are based on a five year financial forecasts developed by management for planning purposes. Cash flows beyond the forecasted period were estimated using a terminal value calculation. The fair values of long-lived assets were determined based on various valuation methods, including the replacement cost method, the relief from royalty method and the excess earning method. The fair value measurement of long-term investments was described in *(l) Long-term investments*.

The following table present the fair value hierarchy for the assets and liabilities at December 31, 2020 and 2021:

	Carrying Value at December 31, 2020	Fair value measurement at December 31, 2020 using			Total gains
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>Non-recurring fair value measurements for:</b>					
Long-term investments	\$ 17,297	\$ —	\$ —	\$ 17,297	\$ 13,450

	Carrying Value at December 31, 2021	Fair value measurement at December 31, 2021 using			Total gains
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>Non-recurring fair value measurements for:</b>					
Long-term investments	\$ 56,383	\$ —	\$ —	\$ 56,383	\$ 38,834

For long-term investments which consists of an equity security accounted for under the measurement alternative, when there are observable price changes in orderly transactions for identical or similar investments of the same issuer, the investments are re-measured to fair value (Note 8). The non-recurring fair value measurements for this investment requires management to estimate a price adjustment for the different rights and obligations between a similar instrument of the same issuer with an observable price change in an orderly transaction and the investment held by the Group. These non-recurring fair value measurements were measured as of the observable transaction dates. The Company uses valuation methodologies including the back-solve method and an equity allocation model which requires management to use the observable transaction price at the transaction date and other unobservable inputs (level 3) such as expected volatility, discount for lack of marketability and probability of exit events as it relates to an initial public offering, liquidation and redemption preferences.

*(y) 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 prevailing 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 income.

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*(z) 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's estimated liability for unrecognized tax benefits is periodically assessed for adequacy and may be affected by changing interpretations of laws, rulings by tax authorities, changes and/or developments with respect to tax audits, and expiration of the statute of limitations. The actual benefits ultimately realized may differ from the Group's estimates. As each audit is concluded, adjustments, if any, are recorded in the Group's consolidated financial statements. Additionally, in future periods, changes in facts, circumstances, and new information may require the Group to adjust the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recognized in the period in which the changes occur.

The Group 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 Group 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.

*(aa) Comprehensive income*

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

*(bb) Share-based compensation*

Share-based payment transactions with employees, including share options and nonvested shares 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 service conditions and 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 awards 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 equity awards are accounted as a modification under which the Group calculate whether there is any excess of the fair value of the modified award over the fair value of the original award immediately before its terms are modified, measured based on the share price and other pertinent factors at the modification date. For vested awards, the Group recognizes incremental compensation cost in the period of the modification occurred and for unvested awards, 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.

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*(cc) Leases*

On January 1, 2019, the Group adopted 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.

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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 and liabilities are included in “property and equipment, net”, “accrued expenses and other current liabilities” and “long-term payable” on the consolidated balance sheets. 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 is recognized on a straight-line basis over the lease term.

***(dd) (Loss) / Income per share***

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

Diluted (loss) / income 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 (loss) / 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) / income per share calculation when inclusion of such shares would be anti-dilutive.

***(ee) 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 tax related factors; and risks associated with the Group’s ability to keep and increase the market coverage.

***(ff) Liquidity risk***

Historically, the Group has financed its operations primarily through the proceeds from the issuance of preferred shares and the net proceeds of its initial public offering and subsequent private placements. As of December 31, 2021, the Group had net current liabilities of \$26,026 and an accumulated deficit of \$192,072. Starting from 2019, the Group generated income. The Group generated net income of \$13,454 during 2021 and net cash used in operations was \$1,771 for the year of 2021. As of December 31, 2021, the Group had \$59,602 of cash and cash equivalents and restricted cash on hand.

The Group believes that the current cash and cash equivalents and restricted cash which becomes unrestricted in three months will be sufficient to meet the Group’s anticipated cash needs, including the expenses and other expenditures required for its business operations, for at least the next 12 months from the date of issuance of its annual financial statements.

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*(gg) 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, Netherlands, 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. Accounts receivable mainly include amount generated from logistic services and the cash-on-delivery business. With respect to advances to product suppliers and long-term rental deposits, the Group performs ongoing 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.

*(hh) 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 \$5,032 and \$8,105 at December 31, 2020 and 2021, respectively.

*(ii) Impact of COVID-19*

The Group's operations and performance depend significantly on global and regional economic conditions, and the outbreak of COVID-19 has had a significant negative effect on global and regional economies. Further, the Group's, its suppliers' and couriers' abilities to offer and to deliver products in an efficient manner may be adversely affected by the health impacts, travel restrictions, required social distancing, and other governmental mandates due to COVID-19, which could negatively impact the Group's customer experience and cause the Group's revenues and profitability to decline. Additionally, due to the economic impacts caused by COVID-19, consumer discretionary spending may be adversely affected, which may cause demand for the Group's products available on its websites to be reduced and the Group's revenues to decline.

There are still uncertainties of COVID-19's future impact, and the extent of the impact will depend on a number of factors, including the duration of the pandemic, changes to consumer ecommerce activity in response to evolving governmental mandates that impact brick-and-mortar stores such as business closures or other governmental or business disruptions, global unemployment rates, the development and distribution of vaccines. As a result, certain of the Group's estimates and assumptions, including the allowance for credit losses, the valuation of long-lived assets and goodwill subject to impairment assessments, require significant judgments and carry a higher degree of variabilities and volatilities that could result in material changes to the Group's current estimates in future periods.

*(jj) Recent accounting pronouncements not yet adopted*

In November 2021, the FASB issued ASU 2021-10 "Government Assistance (Topic 832)", in which requires annual disclosures that increase the transparency of transactions involving government grants, including: (1) the types of transactions, (2) the accounting for those transactions, and (3) the effect of those transactions on an entity's financial statements. The amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2021. The Group is evaluating the effect that adoption of this guidance will have on its consolidated financial statements and related disclosures.

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Components of other current assets which are included in the prepaid expenses and other current assets are as follows:

	As of December 31,	
	2020	2021
Receivable from payment processing agencies <sup>(1)</sup>	\$ 185	\$ 224
Prepayment to suppliers	2,902	3,600
Rental deposits and prepaid rents	386	500
Deferred expenses	622	654
Others	1,081	2,969
<b>Total</b>	<b>\$ 5,176</b>	<b>\$ 7,947</b>

- (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, 2020 and 2021. The receivables were collected by the Group subsequent to the respective year end.

As of December 31, 2020 and 2021, the allowance of credit losses for prepaid expenses and other current assets are \$113 and \$112, respectively. Additions for credit losses are \$nil, \$116 and \$nil for the years ended December 31, 2019, 2020 and 2021, respectively. Reversals of credit losses are \$nil, \$nil and \$1 for the years ended December 31, 2019, 2020 and 2021, respectively. Write-offs of credit losses are \$nil, \$3 and \$nil for the years ended December 31, 2019, 2020 and 2021, respectively.

**4. PROPERTY AND EQUIPMENT, NET**

The components of property and equipment are as follows:

	As of December 31,	
	2020	2021
Leasehold improvements	\$ 1,119	\$ 914
Furniture, fixtures and office equipment	3,055	2,972
IT equipment	2,450	2,556
Vehicles	1,889	1,880
<b>Property and equipment, gross</b>	<b>8,513</b>	<b>8,322</b>
Less: Accumulated depreciation	(4,701)	(5,010)
<b>Property and equipment, net</b>	<b>\$ 3,812</b>	<b>\$ 3,312</b>

Depreciation expenses incurred for the years ended December 31, 2019, 2020 and 2021 are \$1,254, \$1,040 and \$1,217, respectively.

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5. GOODWILL

All goodwill are allocated to the product sales segment. The changes in the carrying amount of goodwill for the years ended December 31, 2020 and 2021, are as follows:

	Ador Inc	Ezbuy	Total
<b>Balance at January 1, 2020</b>			
Goodwill	\$ 690	\$ 27,232	\$ 27,922
Accumulated impairment loss	—	—	—
	<u>\$ 690</u>	<u>\$ 27,232</u>	<u>\$ 27,922</u>
Effect of exchange rate changes on goodwill	—	1,823	1,823
Impairment loss	—	—	—
<b>Balance at December 31, 2020</b>			
Goodwill	\$ 690	\$ 29,055	\$ 29,745
Accumulated impairment loss	—	—	—
	<u>\$ 690</u>	<u>\$ 29,055</u>	<u>\$ 29,745</u>
Effect of exchange rate changes on goodwill	—	695	695
Impairment loss	—	—	—
<b>Balance at December 31, 2021</b>			
Goodwill	\$ 690	\$ 29,750	\$ 30,440
Accumulated impairment loss	—	—	—
	<u>\$ 690</u>	<u>\$ 29,750</u>	<u>\$ 30,440</u>

6. INTANGIBLE ASSETS, NET

The carry amounts of intangible assets, as of December 31, 2020 and 2021, consists of the below:

	December 31, 2020				December 31, 2021			
	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	3,108	(1,316)	—	1,792	3,181	(1,975)	—	1,206
- Branding	7,240	(1,508)	—	5,732	7,413	(2,286)	—	5,127
- In-progress orders	203	(203)	—	—	207	(207)	—	—
- Members	20	(20)	—	—	20	(20)	—	—
- Software	—	—	—	—	82	(18)	—	64
- Internal use software	1,821	(139)	—	1,682	2,474	(849)	—	1,625
	<u>\$ 13,743</u>	<u>\$ (3,305)</u>	<u>\$ (1,022)</u>	<u>\$ 9,416</u>	<u>\$ 14,728</u>	<u>\$ (5,474)</u>	<u>\$ (1,022)</u>	<u>\$ 8,232</u>

The total amortization expenses incurred for the years ended December 31, 2019, 2020 and 2021 were \$1,264, \$1,403 and \$2,082, respectively. The amortization expenses of acquired intangible assets were \$1,264, \$1,265 and \$1,354 for the years ended December 31, 2019, 2020 and 2021, respectively.

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The estimated amortization expense for intangible assets in each of the next five years are \$2,206, \$2,015, \$856, \$732 and \$732, respectively.

**7. LEASES**

The Group has operating leases for office space, warehouses and servers 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 terms ranging from one to five years. Certain lease agreements include terms with options to extend the lease, however none of these have been recognized in the Group'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	2020	2021
Operating lease costs	4,956	4,846	5,089
Short-term lease costs	2,189	488	1,115
Financing lease costs:			
Amortization of ROU assets	247	152	28
Interests	66	92	13
Total lease costs	<u>7,458</u>	<u>5,578</u>	<u>6,245</u>

Other information	For the year ended December 31,		
	2019	2020	2021
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	4,526	5,118	5,132
Operating cash flows from financing leases	290	991	44
Financing cash flows from financing leases	66	92	13
ROU assets obtained in exchange for new operating lease liabilities	10,060	10,261	4,655
ROU obtained in exchange for new finance lease liabilities	—	—	—
Weighted-average remaining lease term (in years):			
Operating leases	6.45	3.47	3.13
Financing leases	3.65	3.72	2.72
Weighted-average discount rate:			
Operating leases	5.03 %	4.92 %	4.79 %
Financing leases	5.44 %	5.70 %	5.70 %

For the year ended December 31, 2019, total costs on operating lease and short-term lease of \$3,995, \$807, and \$2,343 were recorded in fulfillment, selling and marketing, and general and administrative, respectively.

For the year ended December 31, 2020, total costs on operating lease and short-term lease of \$2,893, \$705, and \$1,736 were recorded in fulfillment, selling and marketing, and general and administrative, respectively.

For the year ended December 31, 2021, total costs on operating lease and short-term lease of \$3,299, \$1,042, and \$1,863 were recorded in fulfillment, selling and marketing, and general and administrative, respectively.

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Future minimum lease payments for operating and financing leases as of December 31, 2021 are as follows:

	<u>Operating Leases</u>	<u>Finance Leases</u>
2022	4,241	48
2023	3,771	48
2024	3,419	34
2025	1,098	—
2026	—	—
Total minimum lease payments	<u>12,529</u>	<u>130</u>
Less: Imputed interest	<u>(882)</u>	<u>(9)</u>
Total lease liability balance	<u>11,647</u>	<u>121</u>
Minimum payments related to leases not yet commenced as of December 31, 2021	4,112	—

**8. LONG-TERM INVESTMENTS**Equity method investment

In 2015, the Group acquired a 30% equity interest of Shantou Demon Network Technology Co., Ltd. (“Demon”), for \$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 year ended December 31, 2019, the Group recorded its share of income of \$124 in the consolidated statement of operations. On June 21, 2019, the Group transferred the 30% equity interest in Demon for proceeds of \$4,223 to Wuhan Zall Interconnected Technologies Co., Ltd, a subsidiary of Zall Development (HK) Holding Company Limited (“Zall”), a principal shareholder of the Company (Note 18). The Group recorded a gain of \$1,994 upon the disposal for the year ended December 31, 2019.

Equity investments without readily determinable fair value

In 2017, the Group entered into an agreement with Shenzhen Maikailai Technologies Co., Ltd (“Maikailai”) to acquire 10.53% equity interest of Maikailai for a total cash consideration of \$2,950. The Group does not have significant influence over Maikailai. In accordance with ASU 2016-01, as readily determinable fair value is not available for Maikailai, the Group elected to use the measurement alternative to measure such investment 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. As of December 31, 2020 and 2021, the carrying amount of the Group’s equity investments in Maikailai was \$17,297 and \$56,383, net of \$nil and \$nil in accumulated impairment and downward adjustments, respectively. During the years ended December 31, 2020 and 2021, the equity investment in Maikailai were remeasured based on observable price changes in orderly transactions for an identical or similar investment of the same issuer with the assistance of third-party experts.

Unrealized gains (upward adjustments) for the years ended December 31, 2019, 2020 and 2021 were \$nil, \$13,450 and \$38,834, respectively, which were recognized in other income. Unrealized losses (downward adjustments and impairment) for the years ended December 31, 2019, 2020 and 2021 were \$nil, \$nil and \$nil, respectively. As of December 31, 2020 and 2021, cumulative upward adjustments for equity securities held were \$13,450 and \$38,834, respectively.

Net unrealized gains and losses for equity securities held were \$nil, \$13,450 and \$38,834 for the years ended December 31, 2019, 2020 and 2021. Net realized gains and losses on equity securities sold were \$nil, \$nil, and \$nil for the years ended December 31, 2019, 2020 and 2021, respectively.

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9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	As of December 31,	
	2020	2021
Accrued payroll and staff welfare	\$ 9,018	\$ 7,726
Individual income tax withheld	437	577
VAT and other taxes payable	7,586	19,938
Accrued professional fees	1,806	1,771
Accrued advertising fees	19,798	24,683
Credit card processing charges	429	238
Accrued sales return <sup>(1)</sup>	586	680
Current portion of finance lease liabilities	41	43
Others <sup>(2)</sup>	2,482	2,163
<b>Total</b>	<b>\$ 42,183</b>	<b>\$ 57,819</b>

(1) 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,	
	2020	2021
<b>Balance at January 1</b>	<b>\$ 381</b>	<b>\$ 586</b>
Allowance for sales return accrued in the year	6,222	9,377
Utilization of accrued sales return allowance	(6,017)	(9,283)
<b>Balance at December 31</b>	<b>\$ 586</b>	<b>\$ 680</b>

(2) Others mainly include deposits from vendors and accrued utilities.

10. ORDINARY SHARES

On December 23, 2019, the Company announced the implementation and the execution of a share repurchase program of up to US\$3 million of the ordinary shares in the form of American Depositary Shares through June 28, 2020, and further extended to July 28, 2020. Pursuant to the share repurchase plan, the Company repurchased 242,990 ADSs and 2,461,599 ADSs during the years ended December 31, 2019 and 2020, representing 485,980 ordinary shares and 4,923,198 ordinary shares with a total consideration of approximately \$251 and \$2,695.

The shares repurchased by the Company had not been retired or canceled and were accounted for at cost as treasury stock.

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 Ezbuy's shareholders. In January and March 2020, the Company issued 37,545,158 ordinary shares to the rest of Ezbuy's shareholders.

The Company sold 173,285 ADSs during the year ended December 31, 2021, representing 346,570 ordinary shares with a total consideration of approximately \$898.

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In 2008, the Company adopted the Amended and Reinstated 2008 Share Incentive Plan, or the 2008 Plan. The 2008 Plan is intended to promote the Company's 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.

In 2019, the Company adopted the 2019 Share Incentive Plan, or the 2019 plan. Pursuant to the 2019 Plan, total shares that the 2019 Plan was authorized to grant were 2,867,382 ordinary shares. Subsequently, the 2019 plan was amended to be authorized to grant a total of 10,667,382 ordinary shares.

The 2008 Plan and 2019 Plan are collectively referred to as the Plans.

In 2019, the Company did not grant any share options.

In 2020, the Company granted 3,000,000 share options under the Plans to an officer at exercise prices of \$0.40 per share. These share options vest immediately. Subsequently, on October 1, 2021, the exercise expiration period of the vested share options was amended and extended from October 1, 2021 to October 1, 2030. The incremental share-based compensation expense resulting from the modification of \$425 was recognized in general and administrative expenses in 2021.

In 2021, the Company granted 80,000 share options under the Plans to employees at exercise prices of \$0.40 per share. These share options vest immediately.

The fair value of each option granted was estimated on the date of grant using a binomial option pricing model with the following assumptions during the applicable periods:

	Year ended December 31,		
	2019	2020	2021
Risk-free interest rate per annum	—	0.12 %	1.56 %
Exercise multiple	—	2.8	2.8
Expected volatility	—	91.3 %	79.5 %
Expected dividend yield	—	0 %	0 %
Fair value of ordinary shares	\$ —	\$ 0.935	\$ 0.45
Expected terms (in years)	—	1	10

**(1) Risk-free interest rates**

Risk-free interest rates were estimated based on the yield to maturity of China international government bonds and US treasury bonds with a maturity period close to the contractual term of the options for the years ended December 31, 2020 and 2021, respectively.

**(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.

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(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 Plans as of December 31, 2021, and changes during the year then ended is presented below:

	<u>Options granted</u>	<u>Weighted average exercise price per option</u>
<b>Outstanding at January 1, 2021</b>	<b>3,068,100</b>	<b>\$ 0.45</b>
Granted	80,000	\$ 0.40
Exercised	—	\$ —
Forfeited	(22,800)	\$ 2.65
<b>Outstanding at December 31, 2021</b>	<b><u>3,125,300</u></b>	<b><u>\$ 0.43</u></b>

The following table summarizes information regarding the share options granted under the Plans as of December 31, 2021:

	<u>As of December 31, 2021</u>			
<u>Options Number</u>	<u>Weighted-average exercise price per option</u>	<u>Weighted-average remaining contractual life (years)</u>	<u>Weighted-Average intrinsic value</u>	
<b>Options</b>				
Outstanding	3,125,300	\$ 0.43	8.70	\$ 0.10
Exercisable	3,125,300	\$ 0.43	8.70	\$ 0.10
Expected to vest	—	\$ —	—	\$ —

The total intrinsic value of options exercised during the years ended December 31, 2019, 2020 and 2021 were \$539, \$nil, and \$nil, respectively.

The weighted average grant date fair value of options granted during the years ended December 31, 2019, 2020 and 2021 was \$nil, \$0.56 and \$0.05, respectively.

The total fair value of the equity awards vested during the years ended December 31, 2019, 2020 and 2021 were \$9, \$1,688 and \$4, respectively.

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For the years ended December 31, 2019, 2020 and 2021, the Group recorded share-based compensation expense of \$66, \$1,689 and \$429 related to the options under the Plans, respectively. As of December 31, 2021, there was no unrecognized compensation cost related to the options.

12. NONVESTED SHARES

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.

In 2020, the Company granted 4,601,000 nonvested to certain officers and employees. The nonvested shares of 940,000 vest over a period of two years, nonvested shares of 218,000 vest over a period of one year and nonvested shares of 3,443,000 vest immediately.

In 2021, the Company granted 1,275,200 nonvested to certain officers and employees. The nonvested shares of 60,000 vest over a period of two years, nonvested shares of 40,000 vest over a period of one year and nonvested shares of 1,235,200 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>
<b>Outstanding at January 1, 2021</b>	<b>660,000</b>	<b>\$ 4.21</b>
Granted	1,335,200	\$ 0.55
Forfeited	(70,000)	\$ 0.70
Vested	(1,695,200)	\$ 0.54
<b>Outstanding at December 31, 2021</b>	<b>230,000</b>	<b>\$ 11.09</b>

The total fair value of shares vested during the years ended December 31, 2019, 2020 and 2021 was \$972, \$1,911 and \$910, respectively.

For the years ended December 31, 2019, 2020 and 2021, the Group recorded share-based compensation expenses of \$1,995, \$1,917 and \$953 related to the nonvested shares, respectively. As of December 31, 2021, there was \$92 of unrecognized compensation costs related to nonvested shares, which are expected to be recognized over a weighted average period of 0.59 years.

Total share-based compensation expenses for share options and nonvested shares for the years ended December 31, 2019, 2020 and 2021 were as follows:

	<u>Year ended December 31,</u>		
	<u>2019</u>	<u>2020</u>	<u>2021</u>
Fulfillment	\$ 238	\$ 15	\$ 15
Selling and marketing	408	82	142
General and administrative	1,414	3,509	1,225
<b>Total</b>	<b>\$ 2,060</b>	<b>\$ 3,606</b>	<b>\$ 1,382</b>

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**13. 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.

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, 2020 through December 31, 2021.

Chengdu Lanting 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.

Shenzhen Ruizhihe, Beijing Lanting, Shenzhen Lanting and Jiaying Ruili qualified as SMEs in 2021, Dongguan Herui and Chongqing Ruizhihe qualified as SMEs in 2020 and 2021, Shenzhen Lanting Jishi qualified as SME in 2019, 2020 and 2021, and therefore their taxable income will be taxed at 20% subject to certain taxable income exemptions 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(L) are located in Singapore and are subject to 17% statutory income tax rate with respect to the profit generated from Singapore.

LIGHTINTHEBOX HOLDING CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
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The components of income before income taxes are as follows:

	Year ended December 31,		
	2019	2020	2021
Cayman Islands	\$ 11,403	\$ (5,216)	\$ (5,219)
Hong Kong SAR	(7,728)	9,010	(12,136)
PRC, excluding Hong Kong SAR, and other countries	(2,504)	12,970	40,611
<b>Total</b>	<b>\$ 1,171</b>	<b>\$ 16,764</b>	<b>\$ 23,256</b>

The income tax expense comprises:

	Year ended December 31,		
	2019	2020	2021
Current	\$ 113	\$ 55	\$ 9,517
Deferred	—	3,363	285
<b>Total</b>	<b>\$ 113</b>	<b>\$ 3,418</b>	<b>\$ 9,802</b>

The principal components of the deferred tax assets and liabilities are as follows:

	As of December 31,	
	2020	2021
<b>Deferred tax assets:</b>		
Allowance for credit losses	14	140
Allowance for inventory provision	—	145
Lease liabilities	1,662	1,810
Net operating loss carry forwards	31,312	29,062
Gross deferred tax assets	32,988	31,157
Less: Valuation allowance	(29,827)	(28,195)
Total deferred tax assets	\$ 3,161	\$ 2,962
<b>Deferred tax liabilities:</b>		
Property and equipment	\$ (319)	\$ (206)
Acquired intangible assets	(1,180)	(1,048)
Operating lease ROU assets	(1,662)	(1,810)
Other income from equity investment	(3,558)	(415)
Total deferred tax liabilities	\$ (6,719)	\$ (3,479)
Net deferred tax assets	—	—
Net deferred tax liabilities	(3,558)	(517)

As of December 31, 2021, the Group had net operating losses from several of its PRC and overseas entities in the amount of \$167,325, which can be carried forward to offset future taxable profits. The net operating loss from the vast majority PRC entities will expire by 2026 and for the entity qualified as HNTE will expire by 2029. For the net operating losses from overseas entities in Hong Kong and Singapore, there is no limitation of expiration.

**LIGHTINTHEBOX HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
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As of December 31, 2021, the Group recorded \$415 deferred tax liability for the out-side basis difference on its equity investment. All material foreign subsidiaries have deficit for the accumulated earnings.

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*

	<u>Year ended December 31,</u>	
	<u>2020</u>	<u>2021</u>
<b>Balance at beginning of the period</b>	<b>\$ 31,879</b>	<b>\$ 29,827</b>
Decrease	(2,052)	(1,632)
<b>Balance at end of the period</b>	<b>\$ 29,827</b>	<b>\$ 28,195</b>

Reconciliation between the expense of income taxes computed by applying the PRC tax rate to income before income taxes and the actual provision for income taxes is as follows:

	<u>Year ended December 31,</u>		
	<u>2019</u>	<u>2020</u>	<u>2021</u>
Income before provision of income tax	\$ 1,171	\$ 16,764	\$ 23,256
Statutory tax rate in the PRC	25 %	25 %	25 %
Income tax at statutory tax rate	293	4,191	5,814
Non-deductible expenses	10	130	346
Statutory expense	(653)	(305)	(655)
R&D super deduction	—	—	(2,664)
Effect of preferential tax rates	(135)	(211)	122
Effect of income tax rate differences in jurisdictions other than the PRC	(2,277)	352	(892)
Deferred tax expense	(2,313)	1,313	381
Prior year true up	—	—	(594)
Unrecognized tax benefits	—	—	9,576
Changes in valuation allowances	5,188	(2,052)	(1,632)
<b>Income tax expense</b>	<b>\$ 113</b>	<b>\$ 3,418</b>	<b>\$ 9,802</b>

*Unrecognized Tax Benefits*

As of December 31, 2019, 2020 and 2021, the Group recorded an unrecognized tax benefit of \$nil, \$nil and \$13,101 respectively.

The unrecognized tax benefits and its related interest are primarily related to investment transfer. \$13,101 of such total unrecognized tax benefits, ultimately recognized, will impact the effective tax rate. It is possible that the amount of uncertain tax benefits will change in the next 12 months, however, an estimate of the range of the possible outcomes cannot be made at this time.

LIGHTINTHEBOX HOLDING CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
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A roll-forward of unrecognized tax benefits is as follows:

	Year ended December 31,		
	2019	2020	2021
Beginning balance	—	—	—
Additions	—	—	13,101
Decreases	—	—	—
Ending balance	\$ —	\$ —	\$ 13,101

During the years ended December 31, 2019, 2020 and 2021, the Group recorded insignificant late payment interest expense as part of income tax expense and did not incur any penalties. Accumulated interest expense recorded by the Group was \$34 as of December 31, 2021.

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 between five and six years.

**14. (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,		
	2019	2020	2021
<b>Numerator:</b>			
Net income attributable to ordinary shareholders of LightInTheBox Holding Co., Ltd.	\$ 999	\$ 13,317	\$ 13,129
Net: Change in fair value of convertible promissory notes	14,591	—	—
Adjusted net (loss) / income attributable to ordinary shareholders of LightInTheBox Holding Co., Ltd. used in calculating net (loss) / income per ordinary share —diluted	(13,592)	13,317	13,129
<b>Denominator:</b>			
Weighted average number of shares used in calculating net income per ordinary share —basic	\$ 137,588,401	\$ 220,419,544	\$ 224,306,117
Weighted average number of shares used in calculating net (loss) / income per ordinary share —diluted	\$ 223,517,833	\$ 225,904,549	\$ 226,568,979
Net income per ordinary share- basic	\$ 0.01	\$ 0.06	\$ 0.06
Net (loss) / income per ordinary share- diluted	\$ (0.06)	\$ 0.06	\$ 0.06

For the years ended December 31, 2019, 2020 and 2021, certain outstanding options and nonvested shares were excluded from the computation of diluted net (loss) / income per share as their inclusion would have been anti-dilutive.

**LIGHTINTHEBOX HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
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**15. EMPLOYEE BENEFIT PLANS**

Full time employees in the PRC, Singapore and Malaysia participate in government-mandated defined contribution plans 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, which were expenses as incurred, was \$6,774, \$3,147 and \$7,072 for the years ended December 31, 2019, 2020 and 2021, respectively.

**16. 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, 2019, 2020 and 2021.

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, 2021, 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 \$5,094.

**17. 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.

## LIGHTINTHEBOX HOLDING CO., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
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The following table presents selected financial information relating to the Group's segments:

	Year ended December 31, 2021		
	Product sales	Services	Consolidated
Revenues	\$ 435,170	\$ 10,933	\$ 446,103
Cost of revenues	235,237	4,156	239,393
<b>Gross profit</b>	<b>199,933</b>	<b>6,777</b>	<b>206,710</b>
Unallocated operating expenses			222,822
Income from operations			(16,112)
Interest income			59
Interest expense			(13)
Other income, net			39,322
<b>Income before income taxes</b>			<b>\$ 23,256</b>

	Year ended December 31, 2020		
	Product sales	Services	Consolidated
Revenues	\$ 382,075	\$ 16,076	\$ 398,151
Cost of revenues	211,430	10,567	221,997
<b>Gross profit</b>	<b>170,645</b>	<b>5,509</b>	<b>176,154</b>
Unallocated operating expenses			172,299
Income from operations			3,855
Interest income			103
Interest expense			(92)
Other income, net			12,898
<b>Income before income taxes</b>			<b>\$ 16,764</b>

	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
<b>Gross profit</b>	<b>92,644</b>	<b>4,953</b>	<b>97,597</b>
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
<b>Loss before income taxes and share of income from equity method investment</b>			<b>\$ (947)</b>

LIGHTINTHEBOX HOLDING CO., LTD.

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	Year ended December 31,		
	2019	2020	2021
Apparel	\$ 78,954	\$ 157,943	\$ 274,212
Other general merchandises <sup>(1)</sup>	157,751	224,132	160,958
<b>Total product sales revenues</b>	<b>\$ 236,705</b>	<b>\$ 382,075</b>	<b>\$ 435,170</b>

(1) Other general merchandises 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,					
	2019		2020		2021	
	Revenues	%	Revenues	%	Revenues	%
Europe	\$ 87,586	36.0	\$ 175,749	44.1	\$ 218,915	49.1
North America	37,932	15.6	81,203	20.4	91,520	20.5
Other countries	118,108	48.4	141,199	35.5	135,668	30.4
<b>Total revenues</b>	<b>\$ 243,626</b>	<b>100.0</b>	<b>\$ 398,151</b>	<b>100.0</b>	<b>\$ 446,103</b>	<b>100.0</b>

As of December 31, 2020 and 2021, substantially all of the Group's long-lived assets of the Group are located in the PRC and Singapore.

**18. RELATED PARTY TRANSACTIONS**

The Group signed a share transfer agreement with Wuhan Zall Internet Technology Co., Ltd, a subsidiary of Zall, in 2019. The total purchase price was \$4,223 for a 30% equity interest in a long-term investment. As of December 31, 2020 and 2021, \$2,820 and \$2,730 has not been settled, respectively. Subsequently, \$2,730 has been settled in April 2022. See Note 8 for details of the share transfer.

The Group entered into a GPS project technical services contract with Hankou North Import and Export Service Co., Ltd, a subsidiary of Zall, in 2019. The total technical services fee received from Hankou North was \$123 in 2019, which was settled in full during 2019.

The Group entered into a technical development services contract with Demon Network Technology (Hong Kong) Co., Ltd. ("Demon Hong Kong"), a subsidiary of Zall, in 2019. The total technical services fee received from Demon Hong Kong in 2019 was \$749 and all received as of December 31, 2020.

The Group signed a share transfer agreement with Yew Tee Global Investment Pte. Ltd., a company controlled by the Group's managements, in 2021, to acquire the remaining 20% of the issued share capital of AVANT(L). Upon the share transfer, AVANT(L) became a wholly-owned subsidiary of Ezbuy. The total purchase price was \$1,544 and was fully settled as of December 31, 2021.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
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(U.S. dollars in thousands, or otherwise noted)**

**19. CONTINGENCIES**

Prior to 2020, some of 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 \$3,602 as of December 31, 2021, and there had been no actions initiated by the relevant authorities. The Group is unable to reasonably estimate the actual amount of fines and penalties 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, 2021, 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.

**Exclusive Technical and Consulting Service Agreement**

This Exclusive Technical and Consulting Service Agreement (**Agreement**), dated as of December 7, 2011, is made in Beijing by and between the following parties (**Parties**):

Party A: Lanting Jishi Trade (Shenzhen) Co., Ltd.  
Address: 35F (D, E), Fortune Building, Futian Central District, Shenzhen  
Legal Representative: Xin Wen

Party B: Beijing Lanting Gaochuang Technologies Co., Ltd.  
Address: Building 106, Lize Zhongyuan, Chaoyang District, Beijing  
Legal Representative: Ping Zhou

**Whereas:**

- 1) Party A is a wholly foreign-owned enterprise registered in the People's Republic of China (**PRC**), and has extensive resources for providing technical and consulting services.
- 2) Party B is a limited liability company registered in China and engages in software development, research and development of Internet system platforms, and computer technology consulting services.

**NOW THEREFORE**, through friendly consultations and based on the principles of equality and mutual benefit, Party A and Party B agree as follows:

**1. Technical and Consulting Services; Title and Exclusive Interests**

- 1.1 During the term of this Agreement, Party A agrees to provide Party B with the technical and consulting services listed in Appendix I in accordance with the terms and conditions of this Agreement.
- 1.2 Party B hereby agrees to accept such technical and consulting services. Party B further agrees not to accept any technical and consulting service from any third party for the aforesaid business without the prior written consent of Party A during the term of this Agreement.
- 1.3 Party A shall be the sole and exclusive owner of all rights, titles, interests and intellectual property rights arising from the performance of this Agreement, including without limitation any copyright, patent, know-how and trade secret developed by Party A or Party B on the basis of Party A's intellectual property rights.

**2. Calculation and Payment of Technical and Consulting Service Fees (Fees)**

- 2.1 The Parties agree that the Fees payable to Party A for its provision of services to Party B under this Agreement (**Service Fee**) shall be equal to the amount of Party B's operating revenue for the then current quarter after the deduction of:

(1) working capital necessary for the maintaining of the daily operations of Party B; and (2) the amount of cash required for Party B's capital expenditures.

- 2.2 The Service Fee shall be paid on a quarterly basis at the end of each quarter. Within 20 days of the end of each quarter, Party B shall provide Party A with a statement on the Service Fee for that period. Subject to Article 2.3, Party A shall deliver a Service Fee payment notice on the basis of such statement and Party B shall pay the Service Fee within 10 days after receipt of such notice.
- 2.3 Party B shall permit Party A and/or one or more agent(s) designated by Party A to review, upon reasonable notice and at reasonable times during normal business hours, Party B's relevant books and records in order for the Service Fee to be verified. The Service Fee shall be subject to adjustments based on the results of such audit.

### **3. Representations and Warranties**

3.1 Party A hereby represents and warrants that:

- 3.1.1 it is a company duly registered and validly existing under PRC law;
- 3.1.2 it is duly authorized to perform this Agreement within its authority and business scope, and has obtained all necessary corporate and government consents and approvals (if any). The performance of this Agreement does not violate any applicable law or contract binding on Party A.
- 3.1.3 This Agreement, once executed, will constitute a legal, valid and binding agreement of Party A enforceable against Party A in accordance with its terms.

3.2 Party B hereby represents and warrants that:

- 3.2.1 it is duly authorized to perform this Agreement within its authority and business scope, and has obtained all necessary corporate and government consents and approvals (if any). The performance of this Agreement does not violate any applicable law or contract binding on Party B.
- 3.2.2 This Agreement, once executed, will constitute a legal, valid and binding agreement of Party B enforceable against Party B in accordance with its terms.

### **4. Confidentiality**

4.1 Party B shall protect and maintain the confidentiality of the confidential data and information it obtains from Party A hereunder (**Confidential Information**), and shall not disclose or transfer any Confidential Information to any third party without Party A's prior written consent. Upon termination or expiry of this Agreement, Party B shall, at Party A's request, return or destroy

any document, material or software which contains the aforesaid Confidential Information, delete the aforesaid Confidential Information from any memory device and cease to use such Confidential Information. Party B may disclose such Confidential Information only to its employees, agents or professional consultants who need to know such information, provided that it shall cause them to comply with the confidentiality obligations hereunder.

4.2 Article 4.1 shall not apply to:

4.2.1 any information that is already known to the public at the time of disclosure;

4.2.2 any information that becomes known to the public after the disclosure other than as a result of the fault of Party B;

4.2.3 any information that is proved to have been obtained before the disclosure from any party other than the Parties hereto;  
or

4.2.4 any information that is required to be disclosed according to any law or court order or the requirements of any stock exchange or any governmental or regulatory authority, provided that Party B shall, to the extent practicable, provide Party A with the draft of such disclosure and incorporate any revision as reasonably required by Party A.

4.3 The Parties agree that this Article shall survive any amendment, cancellation or termination of this Agreement.

## **5. Indemnity**

5.1 If any Party hereto breaches this Agreement or any of its representations and warranties herein, the non-breaching Party may by written notice require such breaching Party to rectify its breach, take appropriate measures to avoid, in an effective and timely manner, any damages to the non-breaching Party and resume the performance of this Agreement within 10 days after its receipt of the notice. The breaching Party shall indemnify the non-breaching Party for any loss suffered by it.

5.2 Total damages payable by the breaching Party to the non-breaching Party shall be equal to the losses arising out of the breach of this Agreement, including the benefits the non-breaching Party would have received had this Agreement been performed, provided that they shall not exceed the Parties' reasonable expectations.

5.3 Where both Parties breach this Agreement, the Parties shall pay each other such indemnity as determined on the basis of their respective breaches.

## **6. Effective Date and Term**

6.1 This Agreement shall become effective as of the date first written above.

6.2 This Agreement shall remain effective until the dissolution of Party A in accordance with PRC law unless it is terminated early according to the provisions herein or as agreed upon by the Parties.

## 7. Termination

7.1 Party B shall not terminate this Agreement early during the term hereof. Party A may terminate this Agreement at any time by 30 days prior written notice to Party B.

7.2 The Parties' rights and obligations under Article 4 and Article 5 shall survive any termination of this Agreement.

## 8. Governing Law and Dispute Resolution

8.1 The execution, validity, interpretation and performance of this Agreement and the resolution of any disputes arising from this Agreement shall be governed by the laws of the PRC.

8.2 Should any dispute arise in connection with the interpretation or performance of this Agreement, the Parties shall seek to resolve such dispute through friendly consultations. If such dispute is not so resolved within 30 days after the commencement of consultations, either Party may submit it to the China International Economic and Trade Arbitration Commission in Beijing for arbitration in accordance with its then effective arbitration rules. The arbitral award shall be final and binding on the Parties. This article shall survive the expiry or termination of this Agreement.

8.3 During the arbitration, the Parties shall continue to perform any provisions which are not related to the matter under arbitration.

## 9. Force Majeure

9.1 If the performance of this Agreement is delayed or impeded by a Force Majeure Event (as defined below), any Party affected by such Force Majeure Event may be exempted from any liabilities hereunder but only to the extent of such delay or impediment. A "**Force Majeure Event**" 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 acts of God, war and riot, provided that in no case may a lack of credit, funds or financing be deemed an event beyond the reasonable control of a Party. A Party affected by a Force Majeure Event asserting exemption from any obligations under this Agreement or any of the provisions hereof shall promptly notify the other Party of the same and shall further advise the other Party of all 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.

9.2 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.

## **10. Notices**

All notices given in connection with the exercise of any right or performance of any obligation hereunder shall be in writing and shall be delivered to the following addresses of the relevant Party either in person, or by registered mail, or by generally accepted courier service, or by fax.

Party A:  
Address: 35F (D, E), Fortune Building, Futian Central District, Shenzhen  
Zip Code: 518040  
Attention: Xin Wen  
Fax: 0755-8324100

Party B and Shareholders:  
Address: Building 106, Lize Zhongyuan, Chaoyang District, Beijing  
Zip Code: 100102  
Attention: Ping Zhou  
Fax: 010-59080270

## **11. Transfer**

Party B may not transfer its rights or obligations hereunder to any third party without Party A's prior written consent. Party A may transfer its rights or obligations hereunder to any third party without Party B's consent but shall notify Party B of the same.

## **12. Severability**

Any provision hereof held invalid or unenforceable according to the provisions of applicable laws shall be deemed removed from this Agreement and voided, as if such provision had never been contained herein, but the balance 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 which reflects to the fullest extent possible the Parties' original intention with respect to such removed provision.

## **13. Amendment and Supplement**

13.1 This Agreement and any other agreements and/or documents contained or expressly included herein constitute the entire agreement with respect to the subject matter hereof and shall supersede all prior agreements, contracts, understandings and communications, either written or oral, between the

Parties with respect to the same. This Agreement shall amend and restate Exclusive Technical and Consulting Service Agreement dated October 23, 2008 by and between the Parties.

13.2 Any amendment or supplement to this Agreement may be effected only by written instrument executed by each of the Parties. Such duly executed instrument of amendment or supplement shall be an integral part of this Agreement and shall have the same legal force and effect as this Agreement.

**14. Further Assurance**

Each Party shall, to the extent of its powers, execute all such instruments and do all such acts as may be necessary for the effectiveness of the provisions of this Agreement or the grant of all of its rights hereunder to the other Party.

**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.

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( Signature Page )

**Party A: Lanting Jishi Trade (Shenzhen) Co., Ltd.** (Company Seal)

By: /s/Xin Wen  
Authorized Representative: Xin Wen

**Party B: Beijing Lanting Gaochuang Technologies Co., Ltd.** (Company Seal)

By: /s/ Ping Zhou  
Authorized Representative: Ping Zhou

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**List of Technology and Consulting Services**

Party A shall provide Party B with the following technology and consulting services:

1. Maintenance of computer rooms and websites;
  2. Provision of technology platforms required for operations;
  3. Provision and maintenance of office networks;
  4. Conception, configuration, design, updating and maintenance of web pages;
  5. Maintenance of customer service platforms;
  6. Employee training;
  7. Advertisements, publicity and promotions;
  8. Provision of logistics support for product sales and services, including post-sale services;
  9. Establishment and support of a stable sales network;
  10. Public relations services; and
  11. Other services agreed by the Parties.
-

Certain identified information in this Exhibit, indicated by the mark “[\*\*\*],” has been excluded because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

### Business Operation Agreement

This Business Operation Agreement (Agreement), dated as of July 1, 2011, is made in Beijing by and among the following parties:

Party A: Lanting Jishi Trade (Shenzhen) Co., Ltd.  
Address: Room 201, 202, 203 and 204, 2nd Floor, Duoli Technology Building, Meilin Duoli Industrial Community, Beihuan Road, Futian District, Shenzhen  
Legal Representative: Jian He

Party B: Shenzhen Lanting Huitong Technologies Co., Ltd.  
Address: 35F (B, C), Fortune Building, Futian Central District, Shenzhen  
Legal Representative: Bin Shi

Party B: Beijing Lanting Gaochuang Technologies Co., Ltd.  
Address: Room 018, Building 60, No. 7 Jiuxianqiao North Road, Chaoyang District, Beijing  
Legal Representative: Bin Shi

Party C: Shenzhen Lanting Huitong Technologies Co., Ltd.  
Address: Room 205, 206 and 207, 2nd Floor, Duoli Technology Building, Meilin Duoli Industrial Community, Beihuan Road, Futian District, Shenzhen  
Legal Representative: Xin Wen

Party D: Jian He  
Resident ID No.: [\*\*\*]  
Address: Room 101, No. 46, Lane 18, Qingtong Road, Pudong New Area, Shanghai

(Individually a **Party** and collectively the **Parties**)

#### Whereas:

- A. Party A is a wholly foreign-owned enterprise registered in the People’s Republic of China (**PRC**);
- B. Party B is a limited liability company registered in the PRC engaging in software development, network system platform research and development and computer technology consulting services;
- C. Party A and Party B have established business cooperation ties through the entry into that certain Exclusive Technical and Consulting Service Agreement, pursuant to which Party B shall pay Party A a certain percentage of its gross operating income derived from its principal business for the exclusive

technical and consulting services received by it from Party A. Therefore, Party B's day-to-day operations will have a material effect on its ability to make such payment to Party A.

D. Party C and Party D are Party B's shareholders (**Shareholders**), holding 49% and 51% of Party B's equity interest respectively.

**Now, therefore**, the Parties, through friendly consultations and based on the principle of equality and mutual benefit, hereby agree as follows:

### **1. Negative Obligations**

In order to guarantee the performance by Party B of the agreement entered into by and between Party A and Party B and all of Party B's obligations to Party A, Party B and its Shareholders hereby jointly acknowledge and agree that without prior written consent of Party A or its designee, Party B shall not engage in any transaction which may have a material effect on its assets, obligations, rights or business operations, including without limitation:

- 1.1 Any adoption of or modification to any business plan or budget;
- 1.2 Any undertaking of any business or entry into any transaction outside its normal business scope or beyond or in violation of Party B's business plan or budget;
- 1.3 Any entry into any loan or other debtor-creditor relationship with any third party or the making of any equity investment in any third party;
- 1.4 Any distribution of any profit, or any payment of any other amount, to the Shareholders;
- 1.5 Any appointment or removal of any director, supervisor or executive officer;
- 1.6 Any approval of or amendment to any share option plan or any arrangement in connection with Party B's equity;
- 1.7 Any sale or purchase of any asset or right to or from any third party;
- 1.8 Creation of guarantee 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;
- 1.9 Entry into any transaction with any Shareholder or any of Party B's directors or executive officers;
- 1.10 Any amendment to Party B's articles of association, or any change to its business scope or registered capital, or any issuance of any securities;
- 1.11 Any division, merger, consolidation, dissolution or liquidation of Party B;

- 1.12 Any change to Party B's normal business operations or any amendment to any material management rules or policies;
- 1.13 Any replacing of its auditor; or
- 1.14 Any transfer of any of its rights and obligations hereunder to any third party.

**2. Business Management and Human Resources Arrangement**

- 2.1 Party B and its Shareholders hereby jointly agree to accept and stringently implement proposals put forward by Party A from time to time with respect to the employment and removal of Party B's employees, the day-to-day business management and financial management of Party B and the business development of Party B.
- 2.2 Party B and its Shareholders hereby jointly agree that the Shareholders shall only appoint Party A's designees as Party B's directors and supervisors and shall remove and replace such directors and supervisors at Party A's request in accordance with the procedures provided by laws and regulations and the articles of associations of Party B, shall cause such appointed directors to elect Party A's candidate as Party B's president and shall remove and replace such president at Party A's request. Further, Party B shall engage the candidates nominated by Party A to act as its general manager, chief financial officer and other executive officers, and shall remove and replace all of such executive officers at Party A's request.
- 2.3 For the purpose of this Article 2, the Shareholders shall take all necessary steps to appoint, remove, dismiss and replace the aforesaid persons.
- 2.4 The Shareholders hereby agree to execute the power of attorney in the form as set forth in Appendix 1 hereto concurrently with the execution of this Agreement. The Shareholders will, under such power of attorney, authorize Party A's designated person(s) to exercise their respective shareholder rights as well as all of their voting rights at Party B's general shareholders' meeting. Party B's Shareholders further agree to remove and replace the authorized persons appointed under the aforesaid power of attorney upon Party A's request at any time.

**3. Other Agreements**

- 3.1 The Shareholders jointly agree to pay or transfer to Party A, immediately and unconditionally, any bonus, dividend or any other income or benefit (in any form) obtained by them from Party B in their capacity as Party B's Shareholders.
- 3.2 The Shareholders severally and jointly undertake and warrant to Party A and Party B that all Shareholders shall act as a concert party with respect to the

rights or obligations to be exercised or performed by the Shareholders hereunder.

#### **4. Confidentiality**

4.1 Party B shall protect and maintain the confidentiality of the confidential data and information it obtains from Party A hereunder (**Confidential Information**) and shall not disclose or transfer any Confidential Information to any third party without Party A's prior written consent. Upon termination or expiry of this Agreement, Party B shall, at Party A's request, return or destroy any document, material or software which contains the aforesaid Confidential Information, delete the aforesaid Confidential Information from any memory device and cease to use such Confidential Information. Party B may disclose such Confidential Information only to its employees, agents or professional consultants who need to know such information, provided that it shall cause them to comply with the confidentiality obligations hereunder.

4.2 Article 4.1 shall not apply to:

4.2.1 any information that is already known to the public at the time of its disclosure;

4.2.2 any information that has become known to the public after the disclosure other than as a result of the fault of Party B;

4.2.3 any information that is proved to have been obtained before the disclosure from any party other than the Parties hereto; or

4.2.4 any information that is required to be disclosed according to any law or court order or the requirements of any stock exchange or any governmental or regulatory authority, provided that Party B shall, to the extent practicable, provide Party A with the draft of such disclosure and incorporate any revision as reasonably required by Party A.

4.2.5 The Parties agree that this Article shall survive any amendment, cancellation or termination of this Agreement.

#### **5. Entire Agreement and Amendment**

5.1 This Agreement and any other agreements and/or documents contained or expressly included herein constitute the entire agreement with respect to the subject matter hereof and shall supersede all prior agreements, contracts, understandings and communications, either written or oral, among the Parties with respect to the same. This Agreement shall amend and restate the Business Operation Agreement dated October 23, 2008 by and among the Parties.

5.2 Any amendment or supplement to this Agreement may be effected only by written instrument executed by each of the Parties. Such duly executed

instrument of amendment or supplement shall be an integral part of this Agreement and shall have the same legal force and effect as this Agreement.

**6. Breach of Agreement**

- 6.1 If a Party breaches this Agreement or any of its representations and warranties herein, any non-breaching Party may by written notice require such breaching Party to rectify its breach, take appropriate measures to avoid, in an effective and timely manner, any damages to the non-breaching Party and resume the performance of this Agreement, within 10 days after its receipt of the notice.
- 6.2 If a Party breaches this Agreement and thereby causes any expense or liabilities or losses (including without limitation loss in profits) to any of the other Parties, the breaching Party shall indemnify such non-breaching Party(ies) for such expenses, liabilities or losses (including without limitation any loss of rights as a result of such breach and any attorney's fees). The amount of damages shall be equal to the losses incurred as a result of such breach. The damages shall cover all of the rights the non-breaching Party(ies) would have been entitled to had this Agreement been performed, provided that they shall not exceed the reasonable expectations of the Parties.
- 6.3 Where all the Parties breach this Agreement, the amount of damages shall be determined according to the severity of each Party's breach.
- 6.4 Notwithstanding any other provision hereof, Party A shall have the right to enforce its rights hereunder, and the other Parties acknowledge and agree that monetary damages will not be adequate to indemnify Party A for the losses suffered by it as a result of any breach by any of the other Parties of their obligations hereunder.

**7. Force Majeure**

- 7.1 If the performance of this Agreement is delayed or impeded by a Force Majeure Event (as defined below), any Party affected by such Force Majeure Event may be exempted from any liabilities hereunder but only to the extent of such delay or impediment. A "**Force Majeure Event**" 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 acts of God, war and riot, provided that in no case may a lack of credit, funds or financing be deemed an event beyond the reasonable control of a Party. A Party affected by a Force Majeure Event asserting exemption from any obligations under this Agreement or any of the provisions hereof shall promptly notify the other Parties of the same and shall further advise the other Parties of all 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.
- 7.2 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.

## **8. Governing Law and Dispute Resolution**

- 8.1 The execution, validity, interpretation and performance of this Agreement and the resolution of any disputes arising from this Agreement shall be governed by the laws of the PRC.
- 8.2 Should any dispute arise in connection with the interpretation or performance of this Agreement, the Parties shall seek to resolve such dispute through friendly consultations. If such dispute is not so resolved within 30 days after the commencement of consultations, any Party may submit it to the China International Economic and Trade Arbitration Commission in Beijing for arbitration in accordance with its then effective arbitration rules. The arbitral award shall be final and binding on the Parties. This article shall survive the expiry or termination of this Agreement.
- 8.3 During the arbitration, the Parties shall continue to perform any provisions which are not related to the matter under arbitration.

## **9. Notices**

All notices given in connection with the exercise of any right or performance of any obligation hereunder shall be in writing and shall be delivered to the following addresses of the relevant Parties either in person, or by registered mail, or by generally accepted courier service, or by fax.

Party A:

Address: Room 201, 202, 203 and 204, 2nd Floor, Duoli Technology Building, Meilin Duoli Industrial Community, Beihuan Road, Futian District, Shenzhen

Zip Code: 518049

Attention: Jian He

Fax: 0755-33088866

Party B and Shareholders:

Address: Block D, Building 2, Diantong Creativity Square, No. 7 Jiuxianqiao North Road, Chaoyang District, Beijing

Zip Code: 100015

Attention: Bin Shi

Fax: 010-56920099

## **10. Miscellaneous**

- 10.1 Any written consent, proposal, appointment or other decision in connection with this Agreement which has a material effect on Party B's day-to-day business operations shall be subject to the approval of Party A's board of directors.

- 10.2 This Agreement shall become effective upon the execution by each of the Parties' duly authorized representatives and the provisions hereof shall remain effective until Party A is dissolved in accordance with PRC law.
- 10.3 Party B and its Shareholders shall not terminate this Agreement during the effective term hereof. Party A shall have the right to terminate this Agreement at any time by sending a written notice 30 days in advance to Party B and its Shareholders.
- 10.4 Any provision hereof held invalid or unenforceable according to the provisions of applicable laws shall be deemed removed from this Agreement and voided, as if such provision had never been contained herein, but the balance 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 which reflects to the fullest extent possible the Parties' original intention with respect to such removed provision.
- 10.5 Any failure to exercise any right, power or privilege hereunder shall not be deemed a waiver thereof. Any single or partial exercise of such right, power or privilege shall not preclude any exercise by a Party of any other right, power or privilege.
- 10.6 Party B and its Shareholders agree that Party A may transfer its rights and obligations hereunder to any third party upon notice to Party B and its Shareholders. Party B and its Shareholders may not transfer any of their rights and obligations hereunder without Party A's prior written consent.
- 10.7 Each Party shall, to the extent of its powers, execute all such instruments and do all such acts (in the case of the Shareholders, including the exercise of their voting or other rights in respect of Party B) as may be necessary for the effectiveness of the provisions of this Agreement or the grant of all of its rights hereunder to any other Party.

**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.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

(Signature Page )

**Party A: Lanting Jishi Trade (Shenzhen) Co., Ltd. (Company Seal)**

By: /s/ Jian He  
Authorized Representative: Jian He

**Party B: Beijing Lanting Gaochuang Technologies Co., Ltd. (Company Seal)**

By: /s/ Bin Shi  
Authorized Representative: Bin Shi

**Party C: Shenzhen Lanting Huitong Technologies Co., Ltd. (Company Seal)**

By: /s/ Xin Wen  
Authorized Representative: Xin Wen

**Party D: Jian He**

Signature: /s/ Jian He

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**Form Power of Attorney**

The undersigned, *[please insert name and ID no.]*, a citizen of the People's Republic of China, hereby authorizes [the proxy's name] or its designee to exercise all the voting rights that he/she has as a shareholder of Shenzhen Lanting Huitong Technologies Co., Ltd. ( **Company** ) during the effective term hereof, including without limitation nominating and electing, as an authorized representative, the Company's directors, general manager and other executive officers at the general shareholders' meeting of the Company.

The aforesaid authorization may not be cancelled unless approved by the board of directors of Lanting Jishi Trade (Shenzhen) Co., Ltd.

The proxy shall exercise the voting rights bestowed upon a shareholder in respect of the Company dutifully and diligently and shall act as directed by the board of directors of Lanting Jishi Trade (Shenzhen) Co., Ltd.

This Power of Attorney shall expire on the earlier of: (i) the tenth anniversary of the execution date of this Power of Attorney and (ii) the termination date of the Business Operation Agreement to which Lanting Jishi Trade (Shenzhen) Co., Ltd. and Shenzhen Lanting Huitong Technologies Co., Ltd. are both a contracting party.

By: \_\_\_\_\_

[            ]

Date:



Certain identified information in this Exhibit, indicated by the mark “[\*\*\*],” has been excluded because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

### Equity Disposal Agreement

This Equity Disposal Agreement (**Agreement**), dated as of July 1, 2019, is made in Beijing by and among the following parties (**Parties**):

Party A: Lanting Jishi Trade (Shenzhen) Co., Ltd.  
Address: Room 201, 202, 203 and 204,  
2nd Floor, Duoli Technology Building,  
Meilin Duoli Industrial Community, Beihuan Road,  
Futian District, Shenzhen  
Legal Representative: Jian He

Party B: Beijing Lanting Gaochuang Technologies Co., Ltd.  
Address: Building 106, Lize Zhongyuan, Chaoyang District, Beijing  
Legal Representative: Bin Shi

Party C: Shenzhen Lanting Huitong Technologies Co., Ltd.  
Address: Room 205, 206 and 207, 2nd Floor,  
Duoli Technology Building, Meilin Duoli Industrial Community,  
Beihuan Road, Futian District, Shenzhen  
Legal Representative: Xin Wen

Party D: Jian He  
Resident ID: [\*\*\*]  
Address: Room 101, No. 46, Lane 18,  
Tongtong Road, Pudong New Area, Shanghai

(Individually a **Party** and collectively the **Parties**)

WHEREAS:

- A. Party A is a wholly foreign-owned enterprise registered in the People’s Republic of China (**PRC**);
- B. Party B is a limited liability company registered in the PRC engaging in software development, network system platform research and development and computer technology consulting services;
- C. Party C and Party D are Party B’s shareholders (**Grantors** or **Shareholders**), holding 49% and 51% of Party B’s equity interest, respectively.

Now, therefore, the Parties, through friendly consultations and based on the principles of equality and mutual benefit, hereby agree as follows:

**1. Granting of the Option**

1.1 Granting

The Grantor hereby grants to Party A an option (**Option**) such that Party A may purchase at any time either in one lump sum or in installments the Equity Interest owned by each Grantor in Party B (**Equity Interest**). Party A or its third party designee may exercise the Option by paying a purchase price which shall be equal to the minimum amount as then permitted by PRC law (**Purchase Price**). If Party A exercises the Option to purchase only part of the Equity Interest (including but not limited to purchase of Party B's Equity Interest from part of the Grantors only or purchase of only part of Party B's Equity Interest from the Grantors), then the Purchase Price for said Equity Interest shall be equal to the total Purchase Price multiplied by the ratio of the Equity Interest subject to transfer relative to the total Equity Interest.

1.2 Term

This Agreement shall become effective upon execution of the Parties hereto and shall remain in full force until the completion of purchase by Party A or its third party designee of all Equity Interest held by the Grantors in Party B in accordance with PRC law.

**2. Exercise and Closing of the Option**

2.1 Exercise Time

- 2.1.1 The Grantors unanimously agree that, if and when permitted by PRC laws and regulations, Party A may exercise all or part of the Option at any time during the term of this Agreement.
- 2.1.2 The Grantors unanimously agree not to restrict the number of times Party A may exercise the Option until Party A or its third party designee has completed the purchase of all of the Equity Interest of Party B.
- 2.1.3 The Grantors unanimously agree that Party A may, upon issuance of written notice to the Grantors, designate in its discretion any third party to exercise the Option on its behalf.

2.2 Payment of the Purchase Price

Each of the Grantors hereby acknowledges and agrees that it has received consideration for the purchase and sale of the Equity Interest held by it in Party B in accordance with each agreement entered into between the Grantor and Party A or its affiliate and that the value of such consideration is equal to the Purchase Price. Each Grantor therefore agrees to report to Party B any

amount payable by Party A to any Grantor in connection with its exercise of the rights hereunder.

### 2.3 Assignment

The Grantors unanimously agree that Party A may, upon issuance of written notice to them, assign to any third party its rights and obligations hereunder. Without the written consent of Party A, the Grantors may not assign their rights and obligations hereunder.

### 2.4 Notice requirements

Each time Party A exercises the Option, it shall serve a written notice (**Notice of Exercise**) on the Grantors specifying:

- 2.4.1 the name of transferee that will purchase the Equity Interest from each Grantor;
- 2.4.2 the amount of the Equity Interest to be purchased from each Grantor; and
- 2.4.3 the power of attorney (if any) by which Party A designates a third party to exercise the Option.

The Grantors unanimously agree that Party A shall be entitled to exercise the Option and to select such third party as may be designated by it from time to time as the transferee of the Equity Interest.

Upon service of the Notice of Exercise, the Equity Interest transfer effected in accordance with such Notice of Exercise shall become immediately effective as to the Parties. Within 3 working days after service of the Notice of Exercise, always in accordance with the Notice of Exercise and this Agreement, the Grantors shall execute and deliver to Party A, and shall cause Party B to execute and deliver to Party A, the equity transfer agreement in the form as set forth in the appendix hereto, as well as any other documents necessary or advisable for the effectiveness of the Equity Interest transfer (including but not limited to the written statements by each Grantor waiving any right of first refusal to purchase each other's Equity Interest subject to transfer and any other documents required to be submitted to the relevant industry and commerce administration or competent telecommunications authority or other local authorities). On the execution date hereof, the Grantor shall, as requested by Party A from time to time, deliver to Party A an original copy of the duly executed (but undated) equity transfer agreement, the written statement issued by each Grantor waiving any right of first refusal to purchase each other's Equity Interest subject to transfer and other documents as referenced in the foregoing sentence.

### 2.5 Closing

The Grantor shall offer Party A and Party B all such assistance as is necessary

and appropriate for the effectiveness of the Equity Interest transfer, including but not limited to the obtaining of approvals (if required) for said transfer from the competent telecommunications authority or other local authorities and the completion of the Equity Interest change registration with the relevant industry and commerce administration.

### **3. Representations and Warranties**

3.1 The Grantor hereby represents, warrants and undertakes to Party A as follows:

- 3.1.1 It has full power and authority to enter into and perform this Agreement;
- 3.1.2 The performance of the obligations hereunder neither violates any applicable law, regulation or contract nor requires any governmental authorization or approval;
- 3.1.3 There is no pending litigation, arbitration or other legal or administrative procedures that to its knowledge may have a material adverse effect on the performance of this Agreement.
- 3.1.4 The Grantor will not create any pledge, debt or other third party rights on the Party B's Equity Interest, or dispose of the same by transfer, gift, pledge or otherwise to any third party.
- 3.1.5 No pledge, debt or other third party rights exists on the Equity Interest of Party B.
- 3.1.6 The option granted to Party A is exclusive. The Grantor shall not, in any manner, grant to other parties any other option or similar rights or rights that will have an adverse effect on the Option as contemplated hereunder.

3.2 Undertaking

Considering that Party A or its third party designee will report to Party B all of the amounts received in respect of the Option, Party B hereby undertakes to Party A that it will bear all expenses arising out of the execution of all such documents and the completion of all such formalities and the execution of all such other documents as may be necessary in order for Party A or its third party designee to become shareholders of Party B pursuant to the exercise of the Option; and that it will complete all such procedures as may be necessary in order for Party A or its designee to fully and officially become shareholders of Party B, including without limitation assistance to Party A in connection with the obtaining of approvals (if any) for the Equity Interest transfer from relevant government departments and submission to the relevant industry and commerce administration of all documents required for amendment to the articles of association, shareholders change registration and other relevant changes.

The Grantors jointly and severally covenant and undertake to Party A and Party B that unless otherwise required by Party A in writing, all of the Grantors shall act as a concerted party in respect of the rights or obligations to be exercised or performed by the Grantors hereunder.

**4. Tax**

Party B shall bear all taxes incurred in connection with the performance of this Agreement.

**5. Breach of Agreement**

5.1 If any Party breaches this Agreement or any of its representations and warrants herein, any non-breaching Party may by written notice require such breaching Party to rectify its breach, take appropriate measures to avoid, in an effective and timely manner, damages to the non-breaching Party and resume the performance of this Agreement, within 10 days after receipt of the notice.

5.2 If a Party breaches this Agreement and thereby causes any expense or liabilities or losses (including without limitation loss in profits) to any of the other Parties, the breaching Party shall indemnify the non-breaching Party for such expenses, liabilities or losses (including without limitation any loss of rights as a result of such breach and any attorney's fees). The amount of damages shall be equal to the losses incurred as a result of such breach. The damages shall cover all of the rights the non-breaching Party(ies) would have been entitled to had this Agreement been performed, provided that they shall not exceed the reasonable expectations of the Parties.

5.3 Where all the Parties breach this Agreement, the amount of damages shall be determined according to the severity of each Party's breach.

5.4 Notwithstanding any other provision hereof, Party A shall have the right to enforce its rights hereunder, and the other Parties acknowledge and agree that monetary damages will not be adequate to indemnify Party A for the losses suffered by it as a result of any breach by any of the other Parties of their obligations hereunder.

**6. Force Majeure**

6.1 If the performance of this Agreement is delayed or impeded by a Force Majeure Event (as defined below), any Party affected by such Force Majeure Event may be exempted from any liabilities hereunder but only to the extent of such delay or impediment. A "**Force Majeure Event**" 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 acts of God, war and riot, provided that in no case may a lack of credit, funds or financing be deemed an event beyond the reasonable control of a Party. A Party affected by a Force Majeure Event asserting exemption from any obligations under this Agreement or any of the provisions hereof shall promptly notify the other Parties of the same and shall further advise the other

Parties of all 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.

- 6.2 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.

## **7. Governing Law and Dispute Resolution**

- 7.1 The execution, validity, interpretation and performance of this Agreement and the resolution of any disputes arising from this Agreement shall be governed by the laws of the PRC.
- 7.2 Should any dispute arise in connection with the interpretation or performance of this Agreement, the Parties shall seek to resolve such dispute through friendly consultations. If such dispute is not so resolved within 30 days after the commencement of consultations, any Party may submit it to the China International Economic and Trade Arbitration Commission in Beijing for arbitration in accordance with its then effective arbitration rules. The arbitral award shall be final and binding upon the Parties. This article shall survive the expiry or termination of this Agreement.
- 7.3 During the arbitration, the Parties shall continue to perform any provisions which are not related to the matter under arbitration.

## **8. Miscellaneous**

- 8.1 Entire Agreement
- 8.1.1 This Agreement and any other agreements and/or documents contained or expressly included herein constitute the entire agreement with respect to the subject matter hereunder and shall supersede all prior agreements, contracts, understandings and communications, whether written or oral, among the Parties with respect to the same. This Agreement shall amend and restate the Business Operation Agreement dated 23 October 2008 by and among the Parties.
- 8.1.2 Any amendment or supplement to this Agreement may be effected only by written instrument executed by each of the Parties. Such duly executed instrument of amendment or supplement shall be an integral part of this Agreement and shall have the same legal force and effect as this Agreement.
- 8.1.3 Any provision hereof held invalid or unenforceable according to the provisions of applicable laws shall be deemed removed from this

Agreement and voided, as if such provision had never been contained herein, but the balance 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 which reflects to the fullest extent possible the Parties' original intention with respect to such removed provision.

## 8.2 Notices

All notices given in connection with the exercise of any right or performance of any obligation hereunder shall be in writing and shall be delivered to the following addresses of the relevant Parties either in person, or by registered mail, or by generally accepted courier service, or by fax.

### Party A:

Address: Room 201, 202, 203 and 204, 2nd Floor, Duoli Technology Building,  
Meilin Duoli Industrial Community, Beihuan Road, Futian District, Shenzhen  
Zip Code: 518049  
Attention: Jian He  
Fax: 0755-33088866

### Party B and Shareholders:

Address: Block D, Building 2, Diantong Creativity Square,  
No. 7 Jiuxianqiao North Road, Chaoyang District, Beijing  
Zip Code: 100015  
Attention: Bin Shi  
Fax: 010-56920099

## 8.3 Further Assurance

Each Party shall, to the extent of its powers, execute all such instruments and do all such acts (in the case of the Shareholders, including the exercise of their voting or other rights in respect of Party B) as may be necessary for the effectiveness of the provisions of this Agreement or the grant of all of its rights hereunder to any other Party.

**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.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

(Signature Page)

**Party A: Lanting Jishi Trade (Shenzhen) Co., Ltd.** (Company Seal)

By:     /s/ Xin Wen    

Authorized Representative: Xin Wen

**Party B: Beijing Lanting Gaochuang Technologies Co., Ltd.** (Company Seal)

By:     /s/ Bin Shi    

Authorized Representative: Bin Shi

**Party C: Shenzhen Lanting Huitong Technologies Co., Ltd.** (Company Seal)

By:     /s/ Bin Shi    

Authorized Representative: Bin Shi

**Party D: Jian He**

Signature:     /s/ Jian He    

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Appendix:

### Equity Transfer Agreement

This Equity Transfer Agreement (**Agreement**) is made on    in    by and between:

Transferor:

Transferee:

Whereas:

1. Shenzhen Lanting Huitong Technologies Co., Ltd. is a limited liability company registered in the PRC engaging in software development, network system platform research and development and computer technology consulting services.

2. The transferor is   , and holds    % of Equity Interest in the company.

3. The transferee is   .

4. The transferor agrees to transfer certain Equity Interest it holds in the company to the transferee and the transferee agrees to accept such transfer.

It is hereby agreed as follows:

1. The transferor agrees to transfer    % Equity Interest it holds in the company to the transferee.

2. The transfer price shall be RMB   .

3. The Agreement shall become effective and binding upon both parties upon execution.

Transferor:

(Signature): /s/ Jian He

Transferee:

(Signature): \_\_\_\_\_



### Waiver of Right of First Refusal

Jian He and, shareholders of hereby state that when any of the shareholders of the company transfers part or all of the Equity Interest it holds in the company, all of the other shareholders shall waive their rights of first refusal to purchase such Equity Interest transferred by said shareholder and shall agree to execute legal instruments necessary for the completion of the Equity transfer procedures with the relevant industry and commerce administration.

This statement shall be irrevocable.

Jian He

Signature: /s/ Jian He \_\_\_\_\_

Beijing Lanting Gaochuang Technologies Co., Ltd. (Company Seal)

By: /s/ Bin Shi \_\_\_\_\_

Authorized Representative: Bin Shi

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Certain identified information in this Exhibit, indicated by the mark “[\*\*\*],” has been excluded because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

### Share Pledge Agreement

This Share Pledge Agreement (**Agreement**), dated as of November 30, 2021, is made in Beijing by and among the following parties:

Party A: Lanting Jishi Trade (Shenzhen) Co., Ltd.

Address: 9C, Building 4, Dachong Business Center (Phase III), Dachong Community, Yuehai Street, Nanshan District, Shenzhen

Legal Representative: Qianneng Fu

Party B: Beijing Lanting Gaochuang Technologies Co., Ltd.

Address: Room 325, 3rd Floor, Building 6 - 2nd to 3rd Floor, No. 33 Baiziwan Road, Chaoyang District, Beijing

Legal Representative: Bin Shi

Party C: Jian He

Resident ID: [\*\*\*]

Address: Room 101, No. 46, Lane 18, Tongtong Road, Pudong New Area, Shanghai

(Individually a **Party** and collectively the **Parties**)

#### Whereas:

- A. Party A (Pledgee) is a wholly foreign-owned enterprise registered in the People’s Republic of China (**PRC**);
  - B. Party B is a limited liability company registered in the PRC engaging in software development, network system platform research and development and computer technology consulting services;
  - C. Party C is a shareholder of Party B, contributing RMB1,020,000 to the equity interest in Party B.
  - D. The Pledgors wish to pledge all of the Equity Interest held by them in Party B to the Pledgee on a joint and several basis as security for the performance of their obligations under the Restructuring Agreements (as defined below).
-

NOW, THEREFORE, upon friendly consultations and based on the principles of equality and mutual benefit, the Parties agree as follows:

## **1. Definitions**

Unless otherwise provided herein, the following terms shall have the meanings set forth below:

- 1.1 “Pledge” means a first priority continuing security interest created over the Equity Interest pursuant to *the Guarantee Law of the People’s Republic of China* and the terms and conditions hereof.
- 1.2 “Equity Interest” means the 100% Equity Interest held by the Pledgors in Party B as well as all rights and interests existing in the Equity Interest currently or in the future, including any and all proceeds from the conversion, auction or sale of the foregoing Equity Interest.
- 1.3 “Restructuring Agreements” means the Equity Disposal Agreement dated 9 June 2011 by and among relevant parties thereto, the Exclusive Technical and Consulting Service Agreement dated 9 June 2011 by and between Party A and Party B and the Business Operation Agreement dated 9 June 2011 by and among relevant parties thereto.

## **2. Pledge**

- 2.1 The Pledgors hereby pledge all the Equity Interest to the Pledgee as security for the full and timely performance by the Pledgors and Party B of their respective obligations under the Restructuring Agreements.
  - 2.2 The obligations secured by the Pledge shall include the compliance with all undertakings, warranties and covenants, all costs, expenses and debts payable by Party B or the Pledgors under the Restructuring Agreements, and any civil liabilities to be assumed by Party B or the Pledgor in the event of invalidity or partial invalidity of all or part of the Restructuring Agreements for whatever reason.
  - 2.3 Unless otherwise agreed to by Party A in writing after the execution of this Agreement, the Pledge may not be released unless and until Party B and the Pledgors have performed their obligations and duties under the Restructuring Agreements and Party A has confirmed such release of the Pledge in writing. If Party B or the Pledgors fail to fully perform their obligations and duties under the Restructuring Agreements at the expiry of the term thereof, Party A shall maintain the Pledge hereunder in full force and effect until the performance of all such obligations and duties.
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2.4 The Pledge under this Agreement shall be recorded in Party B's shareholders register in the form attached as Appendix 1 hereto.

### **3. Effectiveness**

3.1 This Agreement shall be effective as of the date of execution hereof.

3.2 The Pledgors and the Pledgee shall register the Pledge hereunder with the relevant administration for industry and commerce pursuant to the *Property Law of the People's Republic of China*, the *Measures on Registration of Equity Pledge by the Administration for Industry and Commerce* and other relevant laws and regulations.

### **4. Warranties and Representations of the Pledgors**

The Pledgors hereby make the following representations, warranties and undertakings to the Pledgee and acknowledge that Party A has relied upon such representations, warranties and undertakings in executing this Agreement:

- 4.1 The enjoyment and exercise by Party A of its rights hereunder shall not require any consent or approval from any third party.
  - 4.2 Party A has the right to dispose of the Equity Interest in accordance with law and pursuant to this Agreement.
  - 4.3 The execution and performance by the Pledgors and Party B of this Agreement have obtained all necessary authorizations and are not in contravention of any relevant laws or regulations. The representative executing this Agreement on behalf of Party B has been legally and validly authorized to that effect.
  - 4.4 As of the date of execution hereof, there are no threatened or pending civil, administrative or criminal proceedings, administrative penalty or arbitration in relation to the Equity Interest.
  - 4.5 As of the date of execution hereof, the Equity Interest hereunder is not involved in any unpaid taxes or pending legal proceedings.
  - 4.6 Each provision of this Agreement reflects the true intent of each party and is binding on each party.
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**5. Undertakings of the Pledgors**

The Pledgors undertake to Party A that during the term of this Agreement:

- 5.1 Without prior written consent of the Pledgee, the Pledgors will not assign or transfer the Equity Interest to any third party, nor will the Pledgors create or allow to be created any other security interest or encumbrance over the Equity Interest, or take any action that may have any adverse effect on the rights or interests of the Pledgee, other than any transfer of the Equity Interest to the Pledgee or its designee at the request of the Pledgee;
  - 5.2 The Pledgors will comply with all laws and regulations relating to the Pledge, will deliver any relevant notices, orders or recommendations to Party A within five days of receipt of the same from relevant authorities, and will take actions as reasonably directed by Party A;
  - 5.3 The Pledgors shall forthwith notify Party A of any event that affects the Pledgors' Equity Interest, Pledge or any part thereof or any relevant notices received in respect thereof, as well as any event that affects the Pledgors' undertakings and obligations hereunder or any relevant notices received in respect thereof, and shall take actions as reasonably directed by Party A.
  - 5.4 The Pledgors agree that Party A's right to enforce the Pledge in accordance with this Agreement shall not be delayed or hindered by the Pledgors, any of Pledgors' successors or assignees or any other person. The Pledgors shall defend any claims and demands asserted by any third party in respect of the Pledgors' rights, title, liens and security interests.
  - 5.5 The Pledgors warrant to Party A that the pledgors will comply with and satisfy all security, guarantee, agreements, representations and conditions as may exist in favor of the Pledgee. If the Pledgors fail to comply with or satisfy, or fail to fully comply with or satisfy, their security, guarantee, agreements, representations and conditions, the Pledgors shall indemnify Party A for any losses sustained by Party A as a result thereof.
  - 5.6 The Pledgors undertake and warrant to the Pledgee that unless otherwise requested by the Pledgee in writing, all the Pledgors shall act as a concert
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party with respect to any rights or obligations to be exercised or performed by the Pledgors hereunder.

## **6. Events of Default**

6.1 Any of the following events shall be deemed an event of default:

- 6.1.1 If Party B or the Pledgors are in breach of any of their undertakings, covenants or warranties, or fail to pay in full any costs, expenses or debts due and payable under the Restructuring Agreements.
  - 6.1.2 If the Pledgors are in breach of any provision of this Agreement (including the representations and warranties under Article 4);
  - 6.1.3 If the Pledgors fail to exercise any rights incidental to the Equity Interest pledged hereunder, or transfer such Equity Interest to any third party without prior written consent of the Pledgee;
  - 6.1.4 If any loan, debt, security, indemnity, undertaking or any other liability to which the Pledgors are party or which are binding on the Pledgors (1) is required to be paid or satisfied prior to its original scheduled date, or (2) becomes due and payable or requires to be satisfied but is not paid or satisfied at the scheduled time, as a result of which the Pledgee believes that the Pledgors' ability to perform such obligations has been compromised.
  - 6.1.5 If any Restructuring Agreement becomes illegal due to the promulgation of any relevant laws, or the Pledgors are unable to continue to perform any obligations under any Restructuring Agreement;
  - 6.1.6 If any approval, permit, license or authorization obtained from relevant government authorities requisite for the performance of any Restructuring Agreement or the effectiveness or continuing validity of any Restructuring Agreement has been cancelled, suspended, voided or substantially modified;
  - 6.1.7 If the properties of the Pledgors suffer any adverse change, as a result of which Party A believes that the Pledgors' ability to perform their obligations under this Agreement or the Restructuring Agreement has been adversely affected;
  - 6.1.8 If Party B ceases its operation, is dissolved or is ordered to cease its operation, or is threatened with dissolution or bankruptcy;
  - 6.1.9 If any Pledgor and/or Party B are/is involved in any dispute, lawsuit, arbitration, administrative proceeding or any other legal proceeding or governmental inquiry, action or investigation, as a result of which the Pledgee reasonably believes that: (i) any Pledgor's ability to perform the obligations under this Agreement or any Restructuring
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Agreement has been materially and adversely affected thereby, or (ii) the Company's ability to perform its obligations under any Restructuring Agreement has been materially and adversely affected;

6.2 If the Pledgors know or become aware of the occurrence of any event under Article 6.1, or if any circumstance that may give rise to such events has occurred or is occurring, the Pledgors shall forthwith notify Party A in writing.

6.3 Unless any Event of Default under Article 6.1 has been resolved to the satisfaction of Party A, Party A may at any time by serving a default notice (Default Notice) on the Pledgors exercise its right to dispose of the Equity Interest during or after the occurrence of the Event of Default.

## **7. Exercise of Pledge**

7.1 Upon service of the Default Notice, the Pledgee shall have the right to dispose, subject to relevant laws and regulations, of the Equity Interest through one or more of methods set out below:

7.1.1 To purchase the Equity Interest at an agreed price;

7.1.2 To sell the Equity Interest through auction or private sale; or

7.1.3 Any other method permitted by relevant laws and regulations.

7.2 The Pledgors hereby unconditionally and irrevocably constitute and appoint the Pledgee as their formal and lawful attorney-in-fact to take the following actions in the name of or otherwise on behalf of Pledgors upon and during the occurrence of the event set forth in Article 6.1: (a) to execute all certificates or take all actions which should have been executed or taken by the Pledgors under this Agreement but which were not executed or taken, or execute all such certificates or take all such actions as may be necessary to give effect to the purpose and intent of this Agreement, (b) to take any and all actions which in the discretionary and reasonable judgment of the Pledgee or any of its representative(s) or counsel(s) are necessary or required for the maintenance, preservation or protection of the security created under this Agreement or the Pledgee's rights, remedies, powers or privileges under this Agreement, (c) to generally exercise in the name of the Pledgors any and all power, authority and decision rights granted to or conferred upon the Pledgee by this Agreement, and without prejudice to the generality of the foregoing, to execute, deliver or otherwise perfect any deed, certificate, agreement, instrument or action which in the opinion of the Pledgee is appropriate for the exercise of the foregoing power, authority or decision rights. The Pledgors hereby agree and acknowledge all lawful actions required or proposed to be taken by the

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Pledgee or any of its representative(s) or counsel(s) when exercising the power of attorney granted to the Pledgee under this Article 7.2, and this grant of authority relating to the security shall be irrevocable.

- 7.3 Prior to full performance of all of the obligations of the Pledgors and Party B under the Restructuring Agreements and full payment of all amounts payable to Party A thereunder, Party A shall have priority in receiving the value assessment fee collected in accordance with legal procedures or the auction or sale proceeds of all of part of the Equity Interest.
- 7.4 Upon disposal by the Pledgee of the Equity Interest, the Pledgors shall forthwith execute all documents necessary or required for the disposal of the Equity Interest pursuant to this Article 7 and take any necessary or required actions, and shall cause Party B to execute all relevant documents and take all relevant actions. Without prejudice to the generality of the foregoing, the Pledgors shall use their best efforts to complete or assist the Pledgee in completing all approval procedures or registration formalities as may be required to be completed with any government authorities in connection with the disposal of the Equity Interest (including the competent authority for the telecommunication industry and relevant industry and commerce administration).

## **8. Transfer**

- 8.1 The Pledgors may not transfer any rights or obligations under this Agreement to any third party without prior consent of the Pledgee.
- 8.2 This Agreement shall be binding on the Pledgors or their successors, and shall inure to the benefit of Party A and its successors and assignees.
- 8.3 Party A may at any time transfer any and all of its rights and obligations under this Agreement to any person by written notice to the Pledgors.

## **9. Costs and Expenses**

The Pledgors shall pay all relevant costs and out-of-pocket expenses arising in connection with this Agreement, including without limitation attorney's fees, expenses relating to the drafting and execution of this Agreement, stamp duty and any other taxes and charges.

## **10. Force Majeure**

- 10.1 If the performance of this Agreement is delayed or impeded by a Force Majeure Event (as defined below), any Party affected by such Force Majeure Event may be exempted from any liabilities hereunder but only to the extent of such delay or impediment. A "**Force Majeure Event**" 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 acts of God, war and riot, provided that in no case may a lack of credit, funds or financing be deemed an event beyond the reasonable control of a Party. A
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Party affected by a Force Majeure Event asserting exemption from any obligations under this Agreement or any of the provisions hereof shall promptly notify the other Parties of the same and shall further advise the other Parties of all 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.

- 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 be exempted from any liabilities for the delay or impediment in its performance of obligations hereunder as a result of the Force Majeure Event. Upon the cessation of a Force Majeure Event, the affected Party shall immediately resume its performance of this Agreement.

## **11. Governing Law and Dispute Resolution**

- 11.1 The execution, validity, interpretation and performance of this Agreement and the resolution of any disputes arising from this Agreement shall be governed by the laws of the PRC.
- 11.2 Should any dispute arise in connection with the interpretation or performance of this Agreement, the Parties shall seek to resolve such dispute through friendly consultations. If such dispute is not so resolved within 30 days after the commencement of consultations, any Party may submit it to the China International Economic and Trade Arbitration Commission in Beijing for arbitration in accordance with its then effective arbitration rules. The arbitral award shall be final and binding on the Parties. This article shall survive the expiry or termination of this Agreement.
- 11.3 During the arbitration, the Parties shall continue to perform any provisions which are not related to the matter under arbitration.

## **12. Notices**

All notices given in connection with the exercise of any right or performance of any obligation hereunder shall be in writing and shall be delivered to the following addresses of the relevant Parties either in person, or by registered mail, or by generally accepted courier service, or by fax.

Party A:  
Address: 5th Floor, Building 2, Yaxin Science and Technology Park, Lane 399, Shengxia Road, Pudong New Area, Shanghai  
Attention: Qianneng Fu  
Phone: 18267399206

Party B:  
Address: 5th Floor, Building 2, Yaxin Science and Technology Park, Lane 399, Shengxia Road, Pudong New Area, Shanghai  
Attention: Qianneng Fu  
Phone: 18267399206

Party C:  
Address: 5th Floor, Building 2, Yaxin Science and Technology Park, Lane 399, Shengxia Road, Pudong New Area, Shanghai  
Attention: Qianneng Fu  
Phone: 18267399206

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**13. Waiver**

Any failure or delay on the part of the Pledgee to exercise any right, remedy, power or privilege hereunder shall not be deemed a waiver thereof. Any single or partial exercise of such right, remedy, power or privilege shall not exclude the exercise by a party of any other right, remedy, power or privilege. The rights, remedies, powers and privileges hereunder are cumulative and shall not prejudice the performance of any other rights, remedies, powers or privileges under the relevant laws.

**14. Miscellaneous**

- 14.1 This Agreement and any other agreements and/or documents contained or expressly included herein constitute the entire agreement in respect of the subject matter hereof and shall supersede all prior agreements, contracts, understandings and communications, either written or oral, among the Parties with respect to the same. This Agreement shall amend and restate the Share Pledge Agreement dated October 23, 2008 by and among the Parties.
- 14.2 Any amendment, modification or supplement to this Agreement shall be in writing and shall become effective only after it has been executed and affixed with seals by all the Parties hereto.
- 14.3 Any provision hereof held invalid or unenforceable according to the provisions of applicable laws shall be deemed removed from this Agreement and voided, as if such provision had never been contained herein, but the balance 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 which reflects to the fullest extent possible the Parties' original intention with respect to such removed provision.
- 14.4 Each Party shall, to the extent of its powers, execute all such instruments and do all such acts (in the case of the Pledgee, including the exercise of their voting or other rights in respect of Party B) as may be necessary for the effectiveness of the provisions of this Agreement or the grant of all of its rights hereunder to the Pledgee.

**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.

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(Signature Page)

**Party A: Lanting Jishi Trade (Shenzhen) Co., Ltd.** (Company Seal)

By:                     /s/ Qianneng Fu

Authorized Representative: Qianneng Fu

**Party B: Beijing Lanting Gaochuang Technologies Co., Ltd.** (Company Seal)

By:                     /s/ Bin Shi

Authorized Representative: Bin Shi

**Party C: Jian He**

Signature           /s/ Jian He

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**Loan Agreement**

This Loan Agreement (**Agreement**), dated as of July 1, 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 Jishi Trade (Shenzhen) Co., Ltd.** (the **Lender**)

Registered Address: Room 201, 202, 203 and 204, 2nd Floor, Duoli Technology Building, Meilin Duoli Industrial Community, Beihuan Road, Futian District, Shenzhen  
Legal Representative: Jian He

**Jian He** (the **Borrower**)

Address: Room 101, No. 46, Lane 18, Tongtong Road, Pudong New Area, Shanghai

**Whereas:**

- A. The Borrower intends to establish a limited company named Beijing Lanting Gaochuang Technologies Co., Ltd. (北京兰亭高创科技有限公司, **Lanting Gaochuang**) in Beijing, PRC, which will be engaged in the business of software development, computer system services as well as economic and trade consulting services.
- B. The Borrower intends to borrow from the Lender RMB255,000 (the **Loan**) and use the full amount as the consideration for buyback of the 51% of the equity interest of Lanting Gaochuang held by Quiji Guo.
- C. The Lender agrees to provide the Loan to the Borrower.

**Now, therefore**, based on the principle of equality and mutual benefit, and through friendly consultations, 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 conditions precedent, 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 prior to the expiry of this Agreement.
- 2.2. The Borrower hereby agrees and warrants that the Loan provided by the Borrower may only be used for investments in 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 early 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 by submitting the proceeds from the transfer of the Borrower's equity interest in Lanting Gaochuang to the Lender or any other third party designated by the Lender. If the proceeds from such transfer are required to comply with any tax or administrative expense policies, then the Borrower shall only be obligated to repay the Loan with the net balance of such proceeds (after deducting any applicable taxes or expenses). If the Borrower's equity interest in Lanting Gaochuang has been transferred in whole pursuant to such provisions, and the Borrower has submitted all proceeds from such transfer to the Lender, then the outstanding balance of the Loan under this Agreement shall be deemed 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 gives the Borrower a written request for the repayment of the Loan.

### **3. Conditions Precedent 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 undertakings 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 is 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 right of priority for any third-party beneficiary who is not the Lender, the Lender's 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 Undertakings and Warranties**

5.1 As a shareholder of Lanting Gaochuang, the Borrower hereby undertakes 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 day-to-day business activities without the prior written consent of the Lender;
- 5.1.4 shall not enter into any major contracts, except those entered into in the ordinary course of 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 undertakes 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 equity interest it holds in Lanting Gaochuang in accordance with PRC law, and to procure all other shareholders of Lanting Gaochuang to waive any preemptive rights to purchase such equity interest (if applicable); and
  - 5.2.6 to be strictly in compliance with the undertakings and warranties hereunder and under other related agreements.
- 5.3 The Borrower hereby warrants and undertakes, 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 Contact**

If the Borrower fails to repay the Loan in accordance with this Agreement, the Lender shall pay the Borrower late payment interests calculated at a daily rate of 0.01% of the outstanding amount.

**7. Confidentiality**

7.1 The Parties acknowledge and confirm to take all possible measures to maintain in confidence all confidential materials and information known by it through this Agreement (**Confidential Information**). 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 survive the modification and termination of this Agreement.

**8. Notice**

Unless a written notice of change of 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 fax, 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 and the resolution of any disputes arising from this Agreement shall be governed by PRC law.

9.2 Should any dispute arise in connection with the performance and interpretation of this Agreement, the Parties shall seek to resolve such dispute through friendly consultations. 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 arbitral 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**

- 12.1 Any amendment or supplement to this Agreement may be effected only by written instrument executed by each of the Parties.
- 12.2 All attachments hereto shall have the same legal force and effect as this Agreement.
- 12.3 Without the prior written consent of the Lender, the Borrower shall not transfer its rights and/or obligations hereunder to any third party.
- 12.4 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 balance 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 Jishi Trade (Shenzhen) Co., Ltd.** (Company Seal)

By: /s/ Xin Wen

Authorized Representative: Xin Wen

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**Jian He**

Signature: /s/ Jian He

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Certain identified information in this Exhibit, indicated by the mark “[\*\*\*],” has been excluded because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

**Power of Attorney**

The undersigned, Jian He, a PRC citizen with identity card number [\*\*\*], hereby authorizes Lanting Jishi Trade (Shenzhen) Co., Ltd. or its designee to exercise all voting rights that he has as a shareholder of Beijing Lanting Gaochuang Technologies Co., Ltd. (**Company**) during the effective term hereof, including without limitation nominating and electing, as an authorized representative, the Company’s directors, general manager and other executive officers at the general shareholders’ meeting of the Company.

The aforesaid authorization may not be cancelled unless approved by the board of directors of Lanting Jishi Trade (Shenzhen) Co., Ltd.

The proxy shall exercise the voting rights bestowed upon a shareholder in respect of the Company dutifully and diligently and shall act as directed by the board of directors of Lanting Jishi Trade (Shenzhen) Co., Ltd.

This Power of Attorney shall be effective as of the date of signing and shall be effective so long as the undersigned remains a shareholder of the Company.

Signature: /s/ Jian He

Date: July 1st, 2019

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## Power of Attorney

The undersigned, Shenzhen Lanting Huitong Technologies Co., Ltd, a limited liability company incorporated in the People's Republic of China, hereby authorizes Lanting Jishi Trade (Shenzhen) Co., Ltd. or its designee to exercise all the voting rights that the Company has as a shareholder of Beijing Lanting Gaochuang Technologies Co., Ltd. (**Company**) during the effective term hereof, including without limitation nominating and electing, as an authorized representative, the Company's directors, general manager and other executive officers at the general shareholders' meeting of the Company.

The aforesaid authorization may not be cancelled unless approved by the board of directors of Lanting Jishi Trade (Shenzhen) Co., Ltd.

The proxy shall exercise the voting rights bestowed upon a shareholder in respect of the Company dutifully and diligently and shall act as directed by the board of directors of Lanting Jishi Trade (Shenzhen) Co., Ltd.

This Power of Attorney shall be effective as of the date of signing and shall be effective so long as the undersigned remains a shareholder of the Company.

**Shenzhen Lanting Huitong Technologies Co., Ltd.**  
(Company Seal)

By: Xin Wen  
Authorized Representative: Xin Wen

Date: July 1st, 2019

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**Supplementary Agreement**

**Whereas**, Lanting Jishi Trade (Shenzhen) Co., Ltd., a sole proprietorship company, Beijing Lanting Gaochuang Technologies Co., Ltd., a domestic company, Shenzhen Lanting Huitong Technology Co., Ltd., an existing shareholder and Jian He, an existing shareholder, signed an equity disposal agreement on July 1<sup>st</sup>, 2019 (the “Equity Disposal Agreement”);

**Whereas**, Jian He and Shenzhen Lanting Huitong Technology Co., Ltd. each signed power of attorney on July 1<sup>st</sup>, 2019 (the “Power of Attorney”);

**Whereas**, Lanxiang Jishi Trading (Shenzhen) Co. Ltd., Beijing Lanting Gaochuang Technology Co., Ltd., Shenzhen Lanting Huitong Technology Co., Ltd., and Jian He signed a share pledge agreement on July 1, 2019 (the “Share Pledge Agreement”).

The above parties hereby amend terms to the agreements as follows:

1. Add the clause “the validity period of this agreement is (two) years, which can be extended indefinitely at the option of the sole proprietorship company to the Equity Disposal Agreement. If there is any conflicting clause in the original agreement, this amendment shall prevail.

2. Add the clauses “ereby authorize Lanting Qishi Trading (Shenzhen) Co., Ltd. or its designated person to exercise all shareholder rights and voting rights as shareholders of Beijing Lanxiang High-tech Technology Co., Ltd., including but not limited to, within the validity period of this Power of Attorney. It is not limited to nominating and electing directors, general managers and other senior management personnel at the general meeting of shareholders as an authorized representative.” “Lanting Jishi Trading (Shenzhen) Co., Ltd. has the right to sub-entrust, and can re - entrust the handling of the above-mentioned matters and the exercise of my equity rights. other qualified representatives without prior notice to me or my consent.” and “During the period when I am a shareholder of a domestic company, this power of attorney is irrevocable and will remain valid, starting from the date of signing this power of attorney.” to the Power of Attorney. If there are conflicting terms in the original agreement, the above clauses shall prevail.

3. Add the clause “ All contractual obligations of the domestic company under the transaction documents shall be fully fulfilled or contract is terminated, this agreement shall be terminated. The pledgee shall release the equity pledge under this agreement according to the written request of the pledgor, and the pledgor and the domestic-funded company shall record the removal of the original equity pledge on the register of shareholders of the domestic-funded company and handle the procedures at the industrial and commercial registration authority. Procedures for the cancellation of equity pledge registration. Expenses arising from the release of the equity pledge by the prisoner shall be borne by the pledgor and the domestic company.” to the Share Pledge Agreement. If there are any conflicting clauses in the original agreement, this clause shall prevail.

This agreement is a supplement to the original Equity Disposal Agreement, Power of Attorney, and Share Pledge Agreement, and has the same legal effect as the original agreement, the part of the original agreement that is not amended in this agreement will continue to be valid.

**Lanting Jishi Trade (Shenzhen) Co., Ltd.** (Company seal)

By: Jian He

Authorized Representative: Jian He

**Beijing Lanting Gaochuang Technologies Co., Ltd.** (Company seal)

By: Bin Shi

Authorized Representative: Bin Shi

**Shenzhen Lanting Huitong Technology Co.** (Company seal)

By: Jian He

Authorized representative: Jian He

**Jian He**

Signature: /s/ Jian He

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Certain identified information in this Exhibit, indicated by the mark “[\*\*\*],” has been excluded because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

Exhibit 4.19

## AGREEMENT

Signing Date: February 28,2020

Party A: Light In The Box Limited  
Address: Room 705-706,7 / F., China Insurance Group Building,  
No.141 Des Voeux Road Central, Hong Kong

Party B: Mr. Qianneng Fu  
Address: [\*\*\*]  
Resident ID No. [\*\*\*]

This Agreement is signed by both parties on February 28, 2020.

WHEREAS,

1. Party A, a limited liability company registered in Hong Kong, China, mainly engaged in e-commerce business;
2. Party B, an employee of Shanghai Light In The Box Information Technology Co., Ltd., a subsidiary/affiliate of Party A; and .
3. Party A, due to business needs, now entrusts Party B to set up a Hong Kong company Fashion Easy-go International Trading Co., Limited in Party B's own name and use this Hong Kong company (the “**Hong Kong company**”) to open an online store on eBay or Amazon website and sell goods on behalf of Party A. The operation and maintenance of the shop shall be carried out by Party B. Party B shall be responsible for the operation and maintenance of the store, and Party A shall sell products to consumers through this cooperative store and provide basic operational assistance.

To this end, Party A and Party B reach the following agreement based on equality and mutual benefit after friendly consultation.

### 1. Definition

Unless otherwise expressly agreed to differ, the terms used in this Agreement shall have the following meanings.

#### 1.1 Hong Kong Company

Hong Kong Company means a company with limited liability which Party B accepts Party A's mandate to apply for and legally establish in its own name (as sole director and shareholder) in Hong Kong, People's Republic of China. The company name is Fashion Easy-go International Trading Co., Ltd. and the company registration number is 2392419.

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## 1.2 eBay and Amazon

eBay means the Internet website (including web and mobile Internet sites) with the domain name www.ebay.com and its associated websites.

Amazon means the Internet website (including web and mobile Internet sites) with the domain name www.amazon.com and its affiliated websites.

## 1.3 Online Store

Online Store means a store on eBay or Amazon with the following name or account number and associated accounts.

Name / Account Number	Affiliate Receipt Account Number

Note: As the number of accounts continues to increase, the corresponding account information needs to be added to this Agreement.

## 1.4 Online Store Product

Online Store Product refers to the goods provided by Party A, or goods displayed and sold through the Online Store by Party A or a third party designated by Party A.

## 1.5 Price of Products

Price of Products means all marked prices, discounted prices, discounts, coupons, shipping costs, points and other related price factors of the Online Store.

## 2. Content of Commission

Party A voluntarily entrusts Party B as the nominal owner of the Hong Kong company and the Online Store, and to exercise other rights that may be granted to Party B by eBay or Amazon within the scope of Party A's authorization. Party B voluntarily accepts Party A's entrustment and exercises the rights related to the eBay or Amazon Online Store on behalf of Party B.

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### **3. Delegation Authority**

The rights that Party A entrusts Party B to exercise on behalf of Party B include

3.1 Party B shall establish a limited liability company in Hong Kong in Party B own name for the sole purpose of opening an online store on eBay or Amazon and shall not be used for other purposes.

3.2 Party B set up an online store under Party B's name on eBay or Amazon, to display and sell the goods supplied by Party A and receive payments, and for such other rights as may be granted to Party B by eBay or Amazon.

### **4. Party A's Rights and Obligations**

4.1 Party A, the actual investor and manager of the Hong Kong Company, shall enjoy the actual control and ownership of the Hong Kong Company and shall be entitled to all investment and operation income; Party B shall only set up the Hong Kong Company in its own name in accordance with the authorization and exclusively for the opening of the Online Store.

4.2 Party A, as the actual investor of the Online Store, shall enjoy the actual ownership of the Online Store and shall be entitled to all investment income; Party B shall only display, sell and recover the price of the goods provided by Party A on the Online Store under its name per Party A's authorization, but shall not enjoy any right of income or disposal (including but not limited to the transfer, pledge or cancellation of the Online Store) of the Online Store, and Party A shall have the right to take back the Online Store and hand it over to others for operation or deregister the Online Store at any time. Party B is obliged to cooperate with Party A to complete the transfer or deregistration procedures.

4.3 The income of operation generated based on the Hong Kong Company and the Online Store shall directly belong to Party A, including but not limited to goodwill, relevant logos, marks, names, other intangible assets and the right to apply for intellectual property rights based on the relevant elements. If Party B is required to apply for such rights due to laws and regulations, Party B shall subsequently transfer the relevant rights to Party A without compensation, and Party A shall not be required to pay any consideration other than the relevant application fees. If the contract is dissolved or terminated at any time, Party A or Party A's designated affiliates or other relevant entities shall have the right to be transferred the Online Store, and Party B shall cooperate with the transferring procedures and.

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4.4 Party A has the right to make any changes to the Hong Kong company and the right to determine and change the prices of the products on the Online Store. Party B shall not make any changes to the Hong Kong company and the eBay or Amazon Online Store (including but not limited to the prices of the products) without Party A's consent.

4.5 Party A shall be obliged to bear all taxes and charges derived from the Online Store. Such taxes and charges shall be prepaid to Party B in advance.

4.6 Party A shall have the right to keep the bank authorization (including but not limited to Ukey, U shield, Token and password form) of the Hong Kong Company entrusted to Party B.

4.7 Party B understands and agrees that Party A has the right to request the replacement of the shareholders and directors of the Hong Kong company set up by Party B at any time.

## **5. Party B's Rights and Obligations**

5.1 As a trustee, with Party A's authorization or instruction, Party B shall have the right to display and sell the online store on its own, however, unless otherwise obtained prior written consent from Party A, it shall not display or sell any goods, commodities, articles, materials, software or programs other than Online Store Products or engage in any other activities or marketing through the Hong Kong Company and the Online Store unrelated to the display or sale of the products on the Online Store, or through the Hong Kong Company or the Online Store for its own or any third party's benefit.

5.2 As parties agreed, the consideration for Party B's granting of a mandate under this Agreement to conduct such entrusted affairs shall be one Hong Kong dollar (HK\$1).

5.3 As the trustee, Party B is obliged to report to Party A the operation status of the Hong Kong Company or the Online Store at any time upon Party A's request, including the monthly breakdown of sales, refunds, rebates and costs and expenses. Deliver regularly or from time to time to us the proceed from the sale of the products on the Online Store and all other proceeds obtained as a result of the operation of the Online Store in accordance with the periods specified by us.

5.4 If a dispute arises with a third party due to the display or sale of products via the Online Store, Party B shall have the right, after obtaining Party A's written consent, to act on Party B's own behalf to handle disputes and controversies with third parties (including but not limited to communication, consultation, negotiation,

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mediation, settlement, compromise, concession, arbitration, litigation, preservation and enforcement) under the premise of maximizing Party A's interests and minimizing Party A's losses, and Party A has the right to be informed of the progress and results of Party B's handling of such disputes and controversies at any time. However, any agreement, acceptance or waiver of any matter involving Party A's rights and interests requires Party A's permission and Party A shall have the right to be informed of the progress and results of handling of such disputes and controversies at any time. If Party A considers that such matters should be handled by itself, or if Party B considers it necessary to transfer such matters to Party A after agreeing to have them handled by Party B, Party B hereby agrees and undertakes that Party B will unconditionally transfer such matters to Party A or a third party designated by Party A to handle such matters. If there is a need to sign the power of attorney and other related legal documents, Party B will unconditionally cooperate with Party A to sign or seal them.

5.5 Without Party A's written authorization, Party B shall bear the losses and all consequences caused by handling disputes and controversies with third parties on its own. Party A shall have the right to offset the actual loss from the monthly salary of Party B.

5.6 Without Party A's prior written consent, Party B shall not sub-delegate the operation of the Hong Kong Company and the Online Store to a third party or transfer, dispose of or create any form of guarantee in respect of any rights or matters relating to the Hong Kong Company and the Online Store, or perform any act that may prejudice Party A's interests.

5.7 Party B shall not deregister, close or suspend the Hong Kong Company and the Online Store without Party A's prior written consent.

5.8 Party B shall not sell, offer for sale, assign, grant, pledge or in any other way dispose of the equity interest in the Hong Kong Company under this Agreement in whole or in part to any other person without Party A prior written consent. Party B shall not authorize any other person to purchase all or part of the equity interest in the Hong Kong Company; Party B shall not sell, offer for sale, assign, grant, pledge or in any other way dispose of the assets of the Hong Kong Company in whole or in part to any other person and Party B shall not authorize any other person to purchase all or part of the assets of the Hong Kong Company.

5.9 Unless required by law to assess, Party A shall be entitled at any time to request Party B to transfer Party A all legal rights and interests of the Hong Kong Company in such form, manner, requirements and at such time as Party A may require and at such minimum price as may be permitted by law and

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Party B shall do all acts and things necessary to effect such transfer to ensure that Party A acquire the legal rights and interests in the Hong Kong Company.

5.10 If the employment contract between Party B and Qianhai Xuyi Information Technology (Shenzhen) Co., Ltd. Shanghai Branch expires, terminated, invalid, or no longer valid due to Party B's death, illness, accident, or for any reason whatsoever, this Agreement shall remain in effect until Party B completes the assignment and takeover of all rights and matters relating to the Hong Kong Company and the Online Store or withdraws the Online Store or transfers the Hong Kong Company as instructed by Party A. Party B agrees and undertakes that once the employment contract between Party B and Party A or Party A's subsidiaries or affiliates expires, terminated, invalid or ceases to be effective for any reason, Party B shall assign all rights and matters relating to the HK Company and the Online Store to Party A or a third person designated by Party A before leaving (at the latest within three (3) days after such occurrence), including but not limited to: all materials of the HK Company (including but not limited to the seal stamp, registration documents and company bank account information listed in clause 4.6 of this Agreement), the Online Store account number, password, Alipay account/password, and the right to operate/revenue the Online Store, or revoke the Online Store account number, password, and Alipay account/password according to Party A's instructions. If the said rights or matters are not transferable by law or in practice, Party B shall entrust/inform Party A or a third party designated by Party A of such rights and matters unconditionally, indefinitely and irrevocably within 30 days after such employment contract loses its effect.

5.11 For the avoidance of doubt, no labor dispute between Party B and Qianhai Xuyi Information Technology (Shenzhen) Co., Ltd. Shanghai Branch shall in any way affect the validity of any provision of this Agreement.

5.12 Unless otherwise agreed, all accounts of the Hong Kong company, Online Store associated with the payment and receipt accounts shall be under our direct control and use.

5.13 Party B guarantees: a. to cooperate with Party A's audit at Party A's request; b. to guarantee not to withdraw cash or transfer money from bank accounts on its own, and to obtain Party A's prior written consent if the above actions are required to be operated; c. to avoid the closing of eBay or Amazon store and Online Store account associated.

## **6. Confidentiality**

Both parties shall be under an obligation of confidentiality with respect to any business information of the other party arising out of, contacting or becoming

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aware of in the course of the performance of this Agreement and the existence of this Agreement, unless there is clear evidence that such information is public knowledge or has the prior written authorization of the other party. Such confidentiality obligations shall survive the termination of this Agreement. Either party shall indemnify the other for damages caused by breach of such obligations.

## **7. Breach of Contract**

Any party who fails to perform, improperly performs or delays the performance of its obligations under this Agreement or unilaterally terminates the Agreement without its consent shall be in breach of the Agreement and shall bear the direct and indirect losses caused to the other party as a result.

## **8. Application of Law**

The laws of Hong Kong shall apply to the conclusion, entry into force, performance, interpretation and settlement of disputes of this Agreement.

## **9. Settlement of Disputes**

Any dispute arising out of the performance of this Agreement shall be settled through friendly consultation between A and B. If the dispute cannot be settled through consultation, either party shall have the right to refer the dispute to the Hong Kong International Arbitration Centre (HKIAC) for arbitration in Hong Kong in accordance with the arbitration rules of HKIAC then in force, and the arbitration award shall be final and legally binding on both parties.

## **10. Complete Agreement**

This Agreement constitutes the entire agreement between the parties with respect to the matters agreed herein and other related matters, and does not confer any other rights on Party B herein except as provided herein.

## **11. Severability**

The provisions of this Agreement are severable and if any provision of this Agreement is held to be invalid or unenforceable, such provision may be deleted and the remaining provisions shall be enforced.

## **12. Other Matters**

12.1 The headings of this Agreement are for reference purposes only and do not in any way define, limit, interpret or describe the scope or limits of this

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section.

12.2 The language used in this Agreement is Chinese, in duplicate, one copy for each party to the Agreement, with the same legal effect.

12.3 This Agreement shall be signed by both parties on the date set out on the first page of the Agreement and shall take effect from the date of signing.

12.4 Unless otherwise agreed by both parties in writing, neither party shall alter the content of this Agreement.

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(No body text below)

Party A: Light In The Box Limited

Authorized Signatory: Jian He

Party B: Qianneng Fu

Signature: Qianneng Fu

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## AGREEMENT

Signing Date: February 28,2020

Party A: Light In The Box Limited  
Address: Room 705-706, 7 / F., China Insurance Group Building,  
No.141 Des Voeux Road Central, Hong Kong

Party B: Mr. Qianneng Fu  
Address: [\*\*\*]  
Resident ID No. [\*\*\*]

This Agreement is signed by both parties on February 28, 2020.

WHEREAS,

1. Party A, a limited liability company registered in Hong Kong, China, mainly engaged in e-commerce business;
2. Party B, , an employee of Shanghai Light In The Box Information Technology Co., Ltd., a subsidiary/affiliate of Party A; and.
3. Party A, due to business needs, now entrusts Party B to set up a Hong Kong company Light Square Limited in Party B's own name and use this Hong Kong company (hereinafter referred to as "Hong Kong company") to open an online store on eBay or Amazon to sell goods on behalf of Party A. The operation and maintenance of the shop shall be carried out by Party B. Party B shall be responsible for the operation and maintenance of the store, and Party A shall sell products to consumers through this cooperative store and provide basic operational assistance.

To this end, Party A and Party B reach the following agreement on the basis of equality and mutual benefit after friendly consultation.

### 1. Definition

Unless otherwise expressly agreed to differ, the terms used in this Agreement shall have the following meanings.

#### 1.1 Hong Kong Company

Hong Kong Company means a company with limited liability which Party B accepts Party A's mandate to apply for and legally establish in its own name (as sole director and shareholder) in Hong Kong, People's Republic of China. The company name is Light Square Limited and the company registration number is 2397956.

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## 1.2 eBay or Amazon

eBay means the Internet website (including web and mobile Internet websites) with the domain name www.ebay.com and its associated websites.

Amazon means the Internet website (including web and mobile Internet sites) with the domain name www.amazon.com and its affiliated websites.

## 1.3 Online Store

Online Store means a store on eBay or Amazon with the following name or account number and associated accounts.

Name / Account Number	Affiliate Receipt Account Number

Note: As the number of accounts continues to increase, the corresponding account information needs to be added to this Agreement.

## 1.4 Online Store Product

Online Store Product refers to the goods provided by Party A, or goods displayed and sold through the Online Store by Party A or a third party designated by Party A.

## 1.5 Price of Products

Price of Products means all marked prices, discounted prices, discounts, coupons, shipping costs, points and other related price factors of the Online Store.

## 2. Content of Commission

Party A voluntarily entrusts Party B as the nominal owner of the Hong Kong company and the Online Store, and to exercise other rights that may be granted to Party B by eBay or Amazon within the scope of Party A's authorization. Party B voluntarily accepts Party A's entrustment and exercises the rights related to the eBay or Amazon Online Store on behalf of Party B.

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### **3. Delegation Authority**

The rights that Party A entrusts Party B to exercise on behalf of Party B include

3.1 Party B shall establish a limited liability company in Hong Kong in Party B own name for the sole purpose of opening an online store on eBay or Amazon and shall not be used for other purposes.

3.2 Party B set up an online store under Party B's name on eBay or Amazon, to display and sell the goods supplied by Party A and receive payments, and for such other rights as may be granted to Party B by the eBay or Amazon.

### **4. Party A's Rights and Obligations**

4.1 Party A, the actual investor and manager of the Hong Kong Company, shall enjoy the actual control and ownership of the Hong Kong Company and shall be entitled to all investment and operation income; Party B shall only set up the Hong Kong Company in its own name in accordance with the authorization and exclusively for the opening of the Online Store.

4.2 Party A, as the actual investor of the Online Store, shall enjoy the actual ownership of the Online Store and shall be entitled to all investment income; Party B shall only display, sell and recover the price of the goods provided by Party A on the Online Store under its name per Party A's authorization, but shall not enjoy any right of income or disposal (including but not limited to the transfer, pledge or cancellation of the Online Store) of the Online Store, and Party A shall have the right to take back the Online Store and hand it over to others for operation or deregister the Online Store at any time. Party B is obliged to cooperate with Party A to complete the transfer or deregistration procedures.

4.3 The income of operation generated based on the Hong Kong Company and the Online Store shall directly belong to Party A, including but not limited to goodwill, relevant logos, marks, names, other intangible assets and the right to apply for intellectual property rights based on the relevant elements. If Party B is required to apply for such rights due to laws and regulations, Party B shall subsequently transfer the relevant rights to Party A without compensation, and Party A shall not be required to pay any consideration other than the relevant application fees. If the contract is dissolved or terminated at any time, Party A or Party A's designated affiliates or other relevant entities shall have the right to be transferred the Online Store, and Party B shall cooperate with the transferring procedures and.

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4.4 Party A has the right to make any changes to the Hong Kong company and the right to determine and change the prices of the products on the Online Store. Party B shall not make any changes to the Hong Kong company and the eBay or Amazon Online Store (including but not limited to the prices of the products) without Party A's consent.

4.5 Party A shall be obliged to bear all taxes and charges derived from the Online Store. Such taxes and charges shall be prepaid to Party B in advance.

4.6 Party A shall have the right to keep the bank authorization (including but not limited to Ukey, U shield, Token, and password form) of the Hong Kong Company entrusted to Party B.

4.7 Party B understands and agrees that Party A has the right to request the replacement of the shareholders and directors of the Hong Kong company set up by Party B at any time.

## **5. Party B's Rights and Obligations**

5.1 As a trustee, with Party A authorization or instruction, Party B shall have the right to display and sell the Online Store Goods on its, however, unless otherwise obtained prior written consent from Party A, it shall not display or sell any goods, commodities, articles, materials, software, programs, etc. on the Online Store other than the Online Store Products, or engage in any other activities or marketing through the Hong Kong Company and the Online Store which are not related to the display or sale of the Online Store Goods, or through the Hong Kong Company or the Online Store for itself or any third party; except where prior written consent is obtained from Party A.

5.2 The Parties agree that the consideration for Party B's granting of a mandate under this Agreement to conduct such entrusted affairs as agreed herein shall be one Hong Kong currency (HK1\$).

5.3 As the trustee, Party B shall be obliged to report to Party A the operating status of the Hong Kong Company or the Online Store at any time upon Party A's request, including the monthly breakdown of sales, refunds, rebates and costs and expenses. Deliver to us the price received from the sale of the goods of the Online Store and all other proceeds obtained as a result of the operation of the Online Store at regular or irregular intervals in accordance with the periods specified by us.

5.4 If a dispute arises with a third party due to the display or sale of products on the Online Store, Party B shall have the right, after obtaining Party A's written consent, to act on Party B's behalf to handle disputes and controversies with third parties (including but not limited to communication, consultation, negotiation,

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mediation, settlement, compromise, concession, arbitration, litigation, preservation and enforcement) under the premise of maximizing Party A's interests and minimizing Party A's losses, and Party A has the right to be informed of the progress and results of Party B's handling of such disputes and controversies at any time. However, any agreement, acceptance or waiver of any matter involving Party A's rights and interests requires Party A's permission and Party A shall have the right to be informed of the progress and results of handling of such disputes and controversies at any time. If Party A considers that such matters should be handled by itself, or if Party B considers it necessary to transfer such matters to Party A after agreeing to have them handled by Party B, Party B hereby agrees and undertakes that Party B will unconditionally transfer such matters to Party A or a third party designated by Party A to handle such matters. If there is a need to sign the power of attorney and other related legal documents, Party B will unconditionally cooperate with Party A to sign or seal them.

5.5 Without Party A's written authorization, Party B shall bear the losses and all consequences caused by handling disputes and controversies with third parties on its own. Party A shall have the right to offset the actual loss from the monthly salary of Party B.

5.6 Without Party A's prior written consent, Party B shall not sub-delegate the operation of the Hong Kong Company and the Online Store to a third party or transfer, dispose of or create any form of guarantee in respect of any rights or matters relating to the Hong Kong Company and the Online Store, or perform any act that may prejudice Party A's interests.

5.7 Party B shall not deregister, close or suspend the Hong Kong Company and the Online Store without Party A's prior written consent.

5.8 Party B shall not sell, offer for sale, assign, grant, pledge or in any other way dispose of the equity interest in the Hong Kong Company under this Agreement in whole or in part to any other person without Party A prior written consent. Party B shall not authorize any other person to purchase all or part of the equity interest in the Hong Kong Company; Party B shall not sell, offer for sale, assign, grant, pledge or in any other way dispose of the assets of the Hong Kong Company in whole or in part to any other person and Party B shall not authorize any other person to purchase all or part of the assets of the Hong Kong Company.

5.9 Unless required by law to assess, Party A shall be entitled at any time to request Party B to transfer Party A all legal rights and interests of the Hong Kong Company in such form, manner, requirements and at such time as Party A may require and at such minimum price as may be permitted by law and

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Party B shall do all acts and things necessary to effect such transfer to ensure that Party A acquire the legal rights and interests in the Hong Kong Company.

5.10 If the employment contract between Party B and Qianhai Xuyi Information Technology (Shenzhen) Co., Ltd. Shanghai Branch expires, terminated, invalid, or no longer valid due to Party B's death, illness, accident, or for any reason whatsoever, this Agreement shall remain in effect until Party B completes the assignment and takeover of all rights and matters relating to the Hong Kong Company and the Online Store or withdraws the Online Store or transfers the Hong Kong Company as instructed by Party A. Party B agrees and undertakes that once the employment contract between Party B and Party A or Party A's subsidiaries or affiliates expires, terminated, invalid or ceases to be effective for any reason, Party B shall assign all rights and matters relating to the HK Company and the Online Store to Party A or a third person designated by Party A before leaving (at the latest within three (3) days after such occurrence), including but not limited to all materials of the HK Company (including but not limited to the seal stamp, registration documents and company bank account information listed in clause 4.6 of this Agreement), the Online Store account number, password, Alipay account/password, and the right to operate/revenue the Online Store, or revoke the Online Store account number, password, and Alipay account or password according to Party A's instructions. If the said rights or matters are not transferable by law or in practice, Party B shall entrust/inform Party A or a third party designated by Party A of such rights and matters unconditionally, indefinitely and irrevocably within 30 days after such employment contract loses its effect.

5.11 For the avoidance of doubt, no labor dispute between Party B and Qianhai Xuyi Information Technology (Shenzhen) Co., Ltd. Shanghai Branch shall in any way affect the validity of any provision of this Agreement.

5.12 Unless otherwise agreed, all accounts of the Hong Kong company, the Online Store associated with the payment and receipt accounts shall be under our direct control and use.

5.13 Party B guarantees: a. to cooperate with Party A's audit at Party A's request; b. to guarantee not to withdraw cash or transfer money from bank accounts on its own, and to obtain Party A's prior written consent if the above actions are required to be operated; c. to avoid the closing of eBay or Amazon store and the Online Store account associated.

## **6. Confidentiality**

Both parties shall be under an obligation of confidentiality with respect to any business information of the other party arising out of, contacting or becoming

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aware of in the course of the performance of this Agreement and the existence of this Agreement, unless there is clear evidence that such information is public knowledge or has the prior written authorization of the other party. Such confidentiality obligations shall survive the termination of this Agreement. Either party shall indemnify the other for damages caused by breach of such obligations.

## **7. Breach of Contract**

Any party who fails to perform, improperly performs or delays the performance of its obligations under this Agreement or unilaterally terminates the Agreement without its consent shall be in breach of the Agreement and shall bear the direct and indirect losses caused to the other party as a result.

## **8. Application of Law**

The laws of Hong Kong shall apply to the conclusion, entry into force, performance, interpretation and settlement of disputes of this Agreement.

## **9. Settlement of Disputes**

Any dispute arising out of the performance of this Agreement shall be settled through friendly consultation between A and B. If the dispute cannot be settled through consultation, either party shall have the right to refer the dispute to the Hong Kong International Arbitration Centre (HKIAC) for arbitration in Hong Kong in accordance with the arbitration rules of HKIAC then in force, and the arbitration award shall be final and legally binding on both parties.

## **10. Complete Agreement**

This Agreement constitutes the entire agreement between the parties with respect to the matters agreed herein and other related matters and does not confer any other rights on Party B herein except as provided herein.

## **11. Severability**

The provisions of this Agreement are severable and if any provision of this Agreement is held to be invalid or unenforceable, such provision may be deleted and the remaining provisions shall be enforced.

## **12. Other Matters**

12.1 The headings of this Agreement are for reference purposes only and do not in any way define, limit, interpret or describe the scope or limits of this

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section.

12.2 The language used in this Agreement is Chinese, in duplicate, one copy for each party to the Agreement, with the same legal effect.

12.3 This Agreement shall be signed by both parties on the date set out on the first page of the Agreement and shall take effect from the date of signing.

12.4 Unless otherwise agreed by both parties in writing, neither party shall alter the content of this Agreement.

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(No body text below)

Party A: Light In The Box Limited

Authorized Signatory: Jian He

Party B: Qianneng Fu

Signature: Qianneng Fu

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## AGREEMENT

Signing Date: February 28,2020

Party A: Light In The Box Limited  
Address: Room 705-706,7 / F., China Insurance Group Building,  
No.141 Des Voeux Road Central, Hong Kong

Party B: Mr. Qianneng Fu  
Address: [\*\*\*]  
Resident ID No. [\*\*\*]

This Agreement is signed by both parties on February 28, 2020.

WHEREAS,

1. Party A, a limited liability company registered in Hong Kong, China, mainly engaged in e-commerce business;
2. , an employee of Shanghai Light In The Box Information Technology Co., Ltd., a subsidiary/affiliate of Party A; and
3. Party A, due to business needs, now entrusts Party B to set up a Hong Kong company Light Xiao Limited in Party B's own name and use this Hong Kong company (hereinafter referred to as "Hong Kong company") to open an online store on eBay or Amazon to sell goods on behalf of Party A. The operation and maintenance of the shop shall be carried out by Party B. Party B shall be responsible for the operation and maintenance of the store, and Party A shall sell products to consumers through this cooperative store and provide basic operational assistance.

To this end, Party A and Party B reach the following agreement on the basis of equality and mutual benefit after friendly consultation.

### 1. Definition

Unless otherwise expressly agreed to differ, the terms used in this Agreement shall have the following meanings.

#### 1.1 Hong Kong Company

Hong Kong Company means a company with limited liability which Party B accepts Party A's mandate to apply for and legally establish in its own name (as sole director and shareholder) in Hong Kong, People's Republic of China. The company name is Light Xiao Limited and the company registration number is 2392457.

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## 1.2 eBay or Amazon

eBay means the Internet website (including web and mobile Internet websites) with the domain name www.ebay.com and its associated websites.

Amazon means the Internet website (including web and mobile Internet sites) with the domain name www.amazon.com and its affiliated websites.

## 1.3 Online Store

Online Store means a store on eBay or Amazon with the following name or account number and associated accounts.

Name / Account Number	Affiliate Receipt Account Number

Note: As the number of accounts continues to increase, the corresponding account information needs to be added to this Agreement.

## 1.4 Online Store Product

Online Store Product refers to the goods provided by Party A, or goods displayed and sold through the Online Store by Party A or a third party designated by Party A.

## 1.5 Price of Products

Price of Products means all marked prices, discounted prices, discounts, coupons, shipping costs, points and other related price factors of the Online Store.

## 2. Content of Commission

Party A voluntarily entrusts Party B as the nominal owner of the Hong Kong company and the Online Store, and to exercise other rights that may be granted to Party B by eBay or Amazon within the scope of Party A's authorization. Party B voluntarily accepts Party A's entrustment and exercises the rights related to the eBay or Amazon Online Store on behalf of Party B.

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### **3. Delegation Authority**

The rights that Party A entrusts Party B to exercise on behalf of Party B include

3.1 Party B shall establish a limited liability company in Hong Kong in Party B own for the sole purpose of opening an online store on eBay or Amazon and shall not be used for other purposes.

3.2 Party B set up an online store under Party B's name on eBay or Amazon, to display and sell the goods supplied by Party A and receive payments, and for such other rights as may be granted to Party B by eBay or Amazon.

### **4. Party A's Rights and Obligations**

4.1 Party A, the actual investor and manager of the Hong Kong Company, shall enjoy the actual control and ownership of the Hong Kong Company and shall be entitled to all investment and operation income; Party B shall only set up the Hong Kong Company in its own name in accordance with the authorization and exclusively for the opening of Online Stores.

4.2 Party A, as the actual investor of the Online Store, shall enjoy the actual ownership of the Online Store and shall be entitled to all investment income; Party B shall only display, sell and recover the price of the goods provided by Party A on the Online Store under its name per Party A's authorization, but shall not enjoy any right of income or disposal (including but not limited to the transfer, pledge or cancellation of the online store) of the Online Store, and Party A shall have the right to take back the Online Store and hand it over to others for operation or deregister the Online Store at any time. Party B is obliged to cooperate with Party A to complete the transfer or deregistration procedures.

4.3 The income of operation generated based on the Hong Kong Company and the Online Store shall directly belong to Party A, including but not limited to goodwill, relevant logos, marks, names, other intangible assets and the right to apply for intellectual property rights based on the relevant elements. If Party B is required to apply for such rights due to laws and regulations, Party B shall subsequently transfer the relevant rights to Party A without compensation, and Party A shall not be required to pay any consideration other than the relevant application fees. If the contract is dissolved or terminated at any time, Party A or Party A's designated affiliates or other relevant entities shall have the right to be transferred the Online Store, and Party B shall cooperate with the transferring procedures and.

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4.4 Party A has the right to make any changes to the Hong Kong company and the right to determine and change the Price of Products. Party B shall not make any changes to the Hong Kong company and the eBay or Amazon Online Store (including but not limited to the prices of the products) without Party A's consent.

4.5 Party A shall be obliged to bear all taxes and charges derived from the Online Store. Such taxes and charges shall be prepaid to Party B in advance.

4.6 Party A shall have the right to keep the bank authorization (including but not limited to Ukey, U shield, Token and password form) of the Hong Kong Company entrusted to Party B.

4.7 Party B understands and agrees that Party A has the right to request the replacement of the shareholders and directors of the Hong Kong company set up by Party B at any time.

## **5. Party B's Rights and Obligations**

5.1 As a trustee, with Party A authorization or instruction, Party B shall have the right to display and sell the Online Store Products on its own, but it shall not display or sell any goods, commodities, articles, materials, software, programs, etc. on the Online Store other than the Online Store Products, or engage in any other activities or marketing through the Hong Kong Company and the Online Store which are not related to the display or sale of the Online Store Products, or through the Hong Kong Company or the Online Store for itself or any third party; except where prior written consent is obtained from Party A.

5.2 The Parties agree that the consideration for Party B's granting of a mandate under this Agreement to conduct such entrusted affairs as agreed herein shall be one Hong Kong currency (HK1\$).

5.3 As the trustee, Party B shall be obliged to report to Party A the operating status of the Hong Kong Company or the Online Store at any time upon Party A's request, including the monthly breakdown of sales, refunds, rebates and costs and expenses. Deliver to us the price received from the sale of the goods of the Online Store and all other proceeds obtained as a result of the operation of the Online Store at regular or irregular intervals in accordance with the periods specified by us.

5.4 If a dispute arises with a third party due to the display or sale of online store goods, Party B shall have the right, after obtaining Party A's written consent, to act on Party B's own behalf to handle disputes and controversies with third parties (including but not limited to communication, consultation, negotiation,

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mediation, settlement, compromise, concession, arbitration, litigation, preservation and enforcement) under the premise of maximizing Party A's interests and minimizing Party A's losses, and Party A has the right to be informed of the progress and results of Party B's handling of such disputes and controversies at any time. However, any agreement, acceptance or waiver of any matter involving Party A's rights and interests shall require Party A's permission and Party A shall have the right to be informed of the progress and results of handling of such disputes and controversies at any time. If Party A considers that such matters should be handled by itself, or if Party B considers it necessary to transfer such matters to Party A after agreeing to have them handled by Party B, Party B hereby agrees and undertakes that Party B will unconditionally transfer such matters to Party A or a third party designated by Party A to handle such matters. If there is a need to sign the power of attorney and other related legal documents, Party B will unconditionally cooperate with Party A to sign or seal them.

5.5 Without Party A's written authorization, Party B shall bear the losses and all consequences caused by handling disputes and controversies with third parties on its own. Party A shall have the right to offset the actual loss from the monthly salary of Party B.

5.6 Without Party A's prior written consent, Party B shall not sub-delegate the operation of the Hong Kong Company and the Online Store to a third party or transfer, dispose of or create any form of guarantee in respect of any rights or matters relating to the Hong Kong Company and the Online Store, or perform any act that may prejudice Party A's interests.

5.7 Party B shall not deregister, close or suspend the Hong Kong Company and the Online Store without Party A's prior written consent.

5.8 Party B shall not sell, offer for sale, assign, grant, pledge or in any other way dispose of the equity interest in the Hong Kong Company under this Agreement in whole or in part to any other person without Party A prior written consent. Party B shall not authorize any other person to purchase all or part of the equity interest in the Hong Kong Company; Party B shall not sell, offer for sale, assign, grant, pledge or in any other way dispose of the assets of the Hong Kong Company in whole or in part to any other person and Party B shall not authorize any other person to purchase all or part of the assets of the Hong Kong Company.

5.9 Unless required by law to assess, Party A shall be entitled at any time to request Party B to transfer Party A all legal rights and interests of the Hong Kong Company in such form, manner, requirements and at such time as Party A may require and at such minimum price as may be permitted by law and

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Party B shall do all acts and things necessary to effect such transfer to ensure that Party A acquire the legal rights and interests in the Hong Kong Company.

5.10 If the employment contract between Party B and Qianhai Xuyi Information Technology (Shenzhen) Co., Ltd. Shanghai Branch expires, terminated, invalid, or no longer valid due to Party B's death, illness, accident, or for any reason whatsoever, this Agreement shall remain in effect until Party B completes the assignment and takeover of all rights and matters relating to the Hong Kong Company and the Online Store or withdraws the Online Store or transfers the Hong Kong Company as instructed by Party A. Party B agrees and undertakes that once the employment contract between Party B and Party A or Party A's subsidiaries or affiliates expires, terminated, invalid or ceases to be effective for any reason, Party B shall assign all rights and matters relating to the HK Company and the Online Store to Party A or a third person designated by Party A before leaving (at the latest within three (3) days after such occurrence), including but not limited to: all materials of the HK Company (including but not limited to the seal stamp, registration documents and company bank account information listed in clause 4.6 of this Agreement), the Online Store account number, password, Alipay account/password, and the right to operate/revenue the Online Store, or revoke the Online Store account number, password, and Alipay account/password according to Party A's instructions. If the said rights or matters are not transferable by law or in practice, Party B shall entrust/inform Party A or a third party designated by Party A of such rights and matters unconditionally, indefinitely and irrevocably within 30 days after such employment contract loses its effect.

5.11 For the avoidance of doubt, no labor dispute between Party B and Qianhai Xuyi Information Technology (Shenzhen) Co., Ltd. Shanghai Branch shall in any way affect the validity of any provision of this Agreement.

5.12 Unless otherwise agreed, all accounts of the Hong Kong company, the Online Store associated with the payment and receipt accounts shall be under our direct control and use.

5.13 Party B guarantees: a. to cooperate with Party A's audit at Party A's request; b. to guarantee not to withdraw cash or transfer money from bank accounts on its own, and to obtain Party A's prior written consent if the above actions are required to be operated; c. to avoid as the closing of eBay or Amazon store and the Online Store account associated.

## **6. Confidentiality**

Both parties shall be under an obligation of confidentiality with respect to any business information of the other party arising out of, contacting or becoming

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aware of in the course of the performance of this Agreement and the existence of this Agreement, unless there is clear evidence that such information is public knowledge or has the prior written authorization of the other party. Such confidentiality obligations shall survive the termination of this Agreement. Either party shall indemnify the other for damages caused by breach of such obligations.

## **7. Breach of Contract**

Any party who fails to perform, improperly performs or delays the performance of its obligations under this Agreement or unilaterally terminates the Agreement without its consent shall be in breach of the Agreement and shall bear the direct and indirect losses caused to the other party as a result.

## **8. Application of Law**

The laws of Hong Kong shall apply to the conclusion, entry into force, performance, interpretation and settlement of disputes of this Agreement.

## **9. Settlement of Disputes**

Any dispute arising out of the performance of this Agreement shall be settled through friendly consultation between A and B. If the dispute cannot be settled through consultation, either party shall have the right to refer the dispute to the Hong Kong International Arbitration Centre (HKIAC) for arbitration in Hong Kong in accordance with the arbitration rules of HKIAC then in force, and the arbitration award shall be final and legally binding on both parties.

## **10. Complete Agreement**

This Agreement constitutes the entire agreement between the parties with respect to the matters agreed herein and other related matters and does not confer any other rights on Party B herein except as provided herein.

## **11. Severability**

The provisions of this Agreement are severable and if any provision of this Agreement is held to be invalid or unenforceable, such provision may be deleted and the remaining provisions shall be enforced.

## **12. Other Matters**

12.1 The headings of this Agreement are for reference purposes only and do not in any way define, limit, interpret or describe the scope or limits of this

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section.

12.2 The language used in this Agreement is Chinese, in duplicate, one copy for each party to the Agreement, with the same legal effect.

12.3 This Agreement shall be signed by both parties on the date set out on the first page of the Agreement and shall take effect from the date of signing.

12.4 Unless otherwise agreed by both parties in writing, neither party shall alter the content of this Agreement.

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(No body text below)

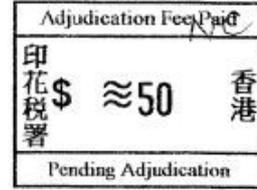
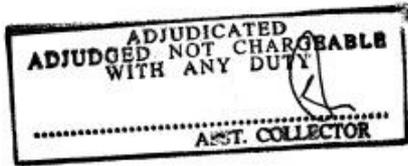
Party A: Light In The Box Limited

By: Jian He

Party B: Qianneng Fu

By: Qianneng Fu

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**DECLARATION OF TRUST**

I, the undersigned, hereby solemnly and sincerely declare as follows:

1. THAT the 10,000 shares (distinctive numbers: -1- to -10000-) now standing in my name in the books of **Fashion Easy-go International Trading Co., Limited** (hereinafter called "the Shares") do not belong to me but to Light In The Box Limited, a company incorporated under the laws of Hong Kong with company number 1141168, of Room 705-706, 7/F., China Insurance Group Building, No. 141 Des Voeux Road Central, Central, Hong Kong (hereinafter called "the Beneficial Owner" which expression shall include its successors in title and assigns).
2. THAT I hold the Shares upon trust for the Beneficial Owner and I undertake to transfer and deal, in all respects, and to pay the Shares 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 Shares and will vote at any such meetings in such manner as directed by the Beneficial Owner.

**IN WITNESS** whereof this Declaration was executed this 13th day of July 2021.

SIGNED SEALED and DELIVERED by )  
 Qianneng Fu )  
 in the presence of: )  
 )  
 )  
 )

\_\_\_\_\_/s/Qianneng Fu







Certain identified information in this Exhibit, indicated by the mark "[\*\*\*]," has been excluded because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

Exhibit 4.20

**Supplementary Agreement to the Agreement between Light In The Box Limited and Qianneng Fu as to Light Xiao**

**Signing date: December 1st, 2020**

Party A: Light In The Box Limited  
Address: Room 705-706, 7/F., China Insurance Group Building,  
No. 141 Des Voeux Road Central, Hong Kong

Party B: Qianneng Fu  
Address: [\*\*\*]  
Resident ID No. [\*\*\*]

This agreement ("Supplementary Agreement") was signed by both parties on December 1st, 2020.

**Whereas,**

On February 28, 2020, Party A and Party B signed an operating agreement (the "Agreement"); and

According to the personnel arrangement of Shanghai Light In The Box Information Technology Co., Ltd., a subsidiary/affiliate of Party A (the "Company"), Party B signed a labor contract with the Company and, has been an employee of the Company since December 1, 2020.

It is agreed between Party A and Party B that the Agreement is to be amended as set out below regarding the information of the Company:

1. "Qianhai Xuyi Information Technology (Shenzhen) Co., Ltd. Shanghai Branch" stipulated in the Agreement shall be deleted and replaced by "Shanghai Light In The Box Information Technology Co., Limited".
  2. This Supplementary Agreement shall be deemed to form as part of the Agreement after signed. If there is any inconsistency between the Supplementary Agreement and the Agreement, the Supplementary Agreement shall prevail. If there is no stipulation in this Supplementary Agreement, the Agreement shall prevail.
  3. This Supplementary Agreement was made in Chinese (in the event of any inconsistency of content or understanding between the Chinese and English versions, the Chinese version of this Agreement shall prevail). This Supplementary Agreement is made in duplicate, and both copies have the same legal effect. Each party holds one copy. This Supplementary Agreement is effective from the date of signature and seal of both parties.
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(No text below)

**Party A:** Light In The Box Limited

**Authorized Signatory:** Jian He

**Party B:** Qianneng Fu

**Signature:** Qianneng Fu

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## MAJOR SUBSIDIARIES OF THE REGISTRANT

<b>Major Subsidiaries</b>	
LITB, Inc	United States
Lanting International Holding Limited	Hong Kong
LightInTheBox International Logistic Co., Limited	Hong Kong
Light In The Box Limited	Hong Kong
Ezbuy Holdings limited	Hong Kong
Light Square Limited	Hong Kong
Light Xiao Limitd	Hong Kong
Fashion Easy-go International Trading Co. , Limited	Hong Kong
LITB Netherlands B.V.	Netherlands
Light In The Box (Chengdu) Technology Co., Limited	PRC
Shanghai Light In The Box Information Technology Co., Limited	PRC
Beijing Light In The Box Information Technology Co., Limited	PRC
Shenzhen Light In The Box Trading(Shenzhen) Co., Limited	PRC
Jiaxing Ruili Supply Chain Management Co.,Limited	PRC
Dongguan Herui Supply Chain Management Co.,Limited	PRC
Shenzhen Ruizhihe Supply Chain Management Co.,Limited	PRC
Shenzhen Light In The Box Information Technology Co.,Limitd	PRC
Ezbuy Holding Co., Ltd	Cayman Islands
Ching International Service PTE.LTD	Singapore
Avant E-Commerce Service PTE.LTD	Singapore
Avant Ecommerce Malaysia SDN.BHD	Malaysia
Avant Logistic Service PTE.LTD	Singapore
<b>Variable Interest Entities</b>	
Beijing Lanting Gaochuang Technologies Co., Ltd.	PRC
Chongqing Ruizhihe E-Commerce Co., Ltd.	PRC

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**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 2, 2022

By: /s/ Jian He

Name: Jian He

Title: Chief Executive Officer

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**Certification by the Chief Financial Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Yuanjun Ye, 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 period 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 2, 2022

By: /s/ Yuanjun Ye

Name: Yuanjun Ye

Title: Chief Financial Officer

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**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, 2021 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 2, 2022

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

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**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, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Yuanjun Ye, 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 2, 2022

By: /s/ Yuanjun Ye

Name: Yuanjun Ye

Title: Chief Financial Officer

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**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 2019 Share Incentive Plan of LightInTheBox Holding Co., Ltd., and
- (3) Registration Statement (Form F-3 No. 333-212007) pertaining to the proposed sale from time to time by the shareholders of LightInTheBox Holding Co., Ltd.;

of our reports dated May 2, 2022, with respect to the consolidated financial statements of LightInTheBox Holding Co., Ltd., and the effectiveness of internal control over financial reporting of LightInTheBox Holding Co., Ltd., included in this Annual Report (Form 20-F) for the year ended December 31, 2021.

/s/ Ernst & Young Hua Ming LLP  
Shanghai, The People's Republic of China  
May 2, 2022

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Hiways Law Firm



May 2, 2022  
12/F, Foxconn Building, 1366 Lujiazui Ring Road, Pudong New Area  
Shanghai 200120, People's Republic of China

Tel: 86-21-58773177  
Fax: 86-21-58773268  
<https://www.hiwayslaw.com/>

Dear Sir/Madam:

We consent to the reference to our firm and our opinions under the headings "ITEM 3. KEY INFORMATION-D Risk Factors" and "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 of Directors and Executive Officers" and "ITEM 10. ADDITIONAL INFORMATION-E. Taxation-People's Republic of China Taxation" in LightInTheBox Holding Co., Ltd.'s Annual Report on Form 20-F for the year ended December 31, 2021, which will be filed with the Securities and Exchange Commission in the month of May 2022.

We also consent to the filing of this consent letter with the SEC as an exhibit to the Annual Report.

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.

Very truly yours,

/s/ Hiways Law Firm  
Hiways Law Firm

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Our ref DLK/665661-000001/23307773v1  
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LightInTheBox Holding Co., Ltd.  
11 Floor, Shanghai KAISA Financial Center  
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Shanghai, 200135  
People's Republic of China

2 May 2022

**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 2021.

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

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