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

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (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, 2023

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

Commission file number: 001-37385

Baozun Inc.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

No. 1-9, Lane 510, West Jiangchang Road
Shanghai 200436

The People's Republic of China
(Address of principal executive offices)

Arthur Yu, Chief Financial Officer
No. 1-9, Lane 510, West Jiangchang Road
Shanghai 200436

The People's Republic of China
Telephone: +86 21 6080-9991

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
American Depositary Shares, each representing three Class A Ordinary Shares, par value US\$0.0001 per share	BZUN	The Nasdaq Stock Market LLC (The Nasdaq Global Select Market)
Class A Ordinary Shares, par value US\$0.0001 per share	9991	The Stock Exchange of Hong Kong Limited

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2023, there were 181,202,618 ordinary shares issued and outstanding, par value US\$0.0001 per share, being the sum of 167,901,880 Class A ordinary shares and 13,300,738 Class B 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

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

[Table of Contents](#)

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 definition 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.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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 Exchange Act).

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

Auditor Name	Auditor Location	Auditor Firm ID
Deloitte Touche Tohmatsu Certified Public Accountants LLP	Shanghai, China	1113

TABLE OF CONTENTS

	<u>Page</u>
CERTAIN DEFINED TERMS	1
FORWARD-LOOKING STATEMENTS	2
PART I	3
ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS	3
ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE	3
ITEM 3. KEY INFORMATION	3
ITEM 4. INFORMATION ON THE COMPANY	63
ITEM 4A. UNRESOLVED STAFF COMMENTS	107
ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS	107
ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	130
ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS	142
ITEM 8. FINANCIAL INFORMATION	147
ITEM 9. THE OFFER AND LISTING	148
ITEM 10. ADDITIONAL INFORMATION	149
ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	167
ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES	168
PART II	174
ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES	174
ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS	174
ITEM 15. CONTROLS AND PROCEDURES	175
ITEM 16. [RESERVED]	177
ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT	177
ITEM 16B. CODE OF ETHICS	177
ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES	178
ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES	178
ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS	178
ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT	179
ITEM 16G. CORPORATE GOVERNANCE	179
ITEM 16H. MINE SAFETY DISCLOSURE	179
ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS	179
ITEM 16J. INSIDER TRADING POLICIES	179
ITEM 16K. CYBERSECURITY	180
PART III	181
ITEM 17. FINANCIAL STATEMENTS	181
ITEM 18. FINANCIAL STATEMENTS	181
ITEM 19. EXHIBITS	181

CERTAIN DEFINED TERMS

Unless otherwise indicated or the context otherwise requires, references in this annual report to:

- “ADRs” are to the American depositary receipts, which, if issued, evidence our ADSs;
- “ADSs” are to our American depositary shares, each of which represents three Class A ordinary shares;
- “Baozun,” “we,” “us,” “our company,” and “our,” are to Baozun Inc., a Cayman Islands exempted company, formerly known as Baozun Cayman Inc. and unless the context requires otherwise, includes its consolidated subsidiaries and variable interest entity and its subsidiaries;
- “brand e-commerce” are to business-to-consumer (B2C) e-commerce conducted through official brand stores, official marketplace stores, or official stores on other channels;
- “brand partners” are to companies for which we provide services including but not limited to online store operations (such as operating or having entered into agreements to operate official brand stores, official marketplace stores, or official stores on other channels under their brand names), digital marketing, IT solutions, warehousing and fulfillment;
- “China” and the “PRC” are to the People’s Republic of China, excluding, for the purpose of this annual report only, Taiwan, the Hong Kong Special Administrative Region and the Macau Special Administrative Region;
- “GMV” are to gross merchandise volume, and when used in connection with our business, include (i) the full value of all purchases transacted and settled on the stores operated by us (including, prior to its closure in 2017, our Maikefeng marketplace but excluding stores for the operations of which we only charge fixed fees) and (ii) the full value of purchases for which consumers have placed orders and paid deposits on such stores and which have been settled offline. Our calculation of GMV includes value added tax and excludes (i) shipping charges, (ii) surcharges and other taxes, (iii) value of the goods that are returned and (iv) deposits for purchases that have not been settled;
- “HK\$” or “Hong Kong dollars” or “HK dollars” are to Hong Kong dollars, the lawful currency of Hong Kong;
- “Hong Kong” or “HK” or “Hong Kong S.A.R.” are to the Hong Kong Special Administrative Region of the PRC;
- “Hong Kong Listing Rules” are to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time;
- “Hong Kong Share Registrar” are to Computershare Hong Kong Investor Services Limited;
- “Hong Kong Stock Exchange” are to The Stock Exchange of Hong Kong Limited;
- “O2O” are to online-to-offline and offline-to-online commerce;
- “official brand stores” are to brands’ official online stores;
- “official marketplace stores” are to brands’ flagship stores and authorized stores on third-party online marketplaces;
- “RMB” and “Renminbi” are to the legal currency of China;
- “ordinary shares” are to our Class A ordinary shares and Class B ordinary shares, par value US\$0.0001 per share;
- “US\$”, “U.S. dollars” or “dollars” are to the legal currency of the United States; and
- “VIE” are to variable interest entity, and “our VIE” are to Shanghai Zunyi Business Consulting Ltd., or Shanghai Zunyi, our PRC consolidated VIE.

Solely for the convenience of the reader, certain RMB amounts and Hong Kong dollar amount have been translated into U.S. dollars at specified rates. Unless otherwise noted, all translations from RMB and Hong Kong dollars to U.S. dollars and from U.S. dollars to RMB and Hong Kong dollars were made at a rate of RMB7.0999 to US\$1.00 and HK\$7.8109 to US\$1.00, the respective exchange rates as set forth in the H.10 statistical release of the U.S. Federal Reserve Board on December 29, 2023. We make no representation that the RMB, Hong Kong dollar or U.S. dollar amounts referred to herein could have been or could be converted to U.S. dollars or RMB, as the case may be, at any particular rate, or at all.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual report on Form 20-F, including those statements contained under the captions “Item 4. Information on the Company” and “Item 5. Operating and Financial Review and Prospects” that are not statements of historical fact, are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements can be generally identified by the use of terms such as “will,” “expects,” “anticipates,” “aims,” “future,” “intends,” “plans,” “believes,” “estimates,” “confident,” “potential,” “continues,” “ongoing,” “targets,” “guidance,” “going forward,” “outlook” “may,” “could,” “would,” “projects,” the negatives of such terms, or comparable terms. In addition to the statements contained in this Form 20-F, we (or our directors or executive officers authorized to speak on our behalf) from time to time may make forward-looking statements, orally or in writing, regarding Baozun (including its subsidiaries and variable interest entity and its subsidiaries) and its business, including in press releases, oral presentations, filings under the Securities Act, the Exchange Act or securities laws of other countries, and filings with The Nasdaq Global Select Market or the Hong Kong Stock Exchange or other stock exchanges.

You should not rely upon forward-looking statements as predictors of future events. Such forward-looking statements represent our judgment or expectations regarding the future, and are subject to risks and uncertainties that may cause actual events and our future results to be materially different than expected by us or indicated by such statements. Such risks and uncertainties include in particular (but are not limited to) the risks and uncertainties related to the following: The online retail industry may not grow at the rate projected by market data, or at all. Failure of this market to grow at the projected rate may have a material and adverse effect on our business and the market price of our ADSs and Class A ordinary shares. In addition, the rapidly changing nature of the online retail industry results in significant uncertainties for any projections or estimates relating to the growth prospects or future condition of our market. Furthermore, if any one or more of the assumptions underlying the market data are later found to be incorrect, actual results may differ from the projections based on these assumptions. See also the information under “Item 3. Key Information — D. Risk Factors” and elsewhere in this annual report for a more complete discussion of these risks, assumptions and uncertainties and for other risks and uncertainties. These risks, assumptions and uncertainties are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. We undertake no obligation, and specifically decline any obligation, to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this annual report might not occur.

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

Our Corporate Structure and Contractual Arrangements with our VIE

Baozun Inc. is not a PRC operating company but a Cayman Islands holding company with operations primarily conducted through (i) our PRC subsidiaries and (ii) contractual arrangements with our VIE and its subsidiaries. Shanghai Zunyi holds a value-added telecommunication license, covering internet information services rendered through mobile network, or an ICP license. Shanghai Zunyi previously operated our Maikefeng marketplace, an e-commerce platform for other trading parties which was closed in 2017 and for which direct foreign investment was prohibited under the PRC laws. Shanghai Zunyi previously provided, and now continues to provide, brand e-commerce service to our brand partners, for which direct foreign investment is allowed under the PRC laws. Shanghai Zunyi is 80% owned by Mr. Vincent Wenbin Qiu, our founder, chairman and chief executive officer, and 20% owned by Mr. Michael Qingyu Zhang, our co-founder. Mr. Vincent Wenbin Qiu and Mr. Michael Qingyu Zhang are both PRC citizens. Revenues from Shanghai Zunyi contributed to 8.6%, 6.8% and 6.2% of our total net revenues in 2021, 2022 and 2023, respectively. Investors in our ADSs are not purchasing equity interest in our VIE in China, but instead are purchasing equity interest in a holding company incorporated in the Cayman Islands.

We entered into a series of contractual arrangements with Shanghai Zunyi and its shareholders, which enable us to:

- exercise effective control over Shanghai Zunyi;
- receive substantially all of the economic benefits of Shanghai Zunyi; and
- have an exclusive option to purchase all or part of the equity interests and assets in Shanghai Zunyi when and to the extent permitted by PRC law.

Such contractual arrangements include: (i) an exclusive technology service agreement; (ii) an exclusive call option agreement; (iii) a proxy agreement; and (iv) equity interest pledge agreements. Because of these contractual arrangements, we are the primary beneficiary of Shanghai Zunyi and hence consolidate its financial results as our VIE. For a description of these contractual arrangements, see “Item 4. Information on the Company — C. Organizational Structure — Contractual Arrangements with Shanghai Zunyi and Its Shareholders.”

These contractual arrangements may not be as effective as direct ownership in providing us with control over our VIE. If our VIE or its shareholders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC laws, including seeking specific performance or injunctive relief, and claiming damages. We cannot assure you such remedies will be effective. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure — Any failure by our VIE or its shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business,” “Item 3. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure — We rely on contractual arrangements with our VIE and its shareholders for a portion of our business operations, which may not be as effective as direct ownership in providing operational control.” and “Item 3. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure — Any failure by our VIE or its shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business.”

Our business and operations are primarily based in the PRC, and are governed by PRC laws, rules and regulations, and the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. As an online distributor of goods, we are subject to numerous PRC laws and regulations that regulate retailers generally or govern online retailers specifically. Such legal requirements are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. See “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the People’s Republic of China — There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations”, “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the People’s Republic of China — We are subject to laws that are applicable to retailers, including advertising and promotion laws and consumer protection laws that could require us to modify our current business practices and incur increased costs” and “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the People’s Republic of China — Failure to comply with the relatively new E-Commerce Law may have a material adverse impact on our business, financial conditions and results of operations.”

There are substantial uncertainties regarding the interpretation and application of PRC laws, regulations and rules. It is uncertain whether any new PRC laws or regulations relating to contractual arrangement structures will be adopted or if adopted, what they would provide. If we or our VIE is found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to impose penalties that would result in a material and adverse effect on our ability to conduct our business. If the imposition of any of these government actions causes us to lose our right to direct the activities of Shanghai Zunyi or our right to receive substantially all the economic benefits and residual returns from Shanghai Zunyi and we are not able to restructure our ownership structure and operations in a satisfactory manner, we would no longer be able to consolidate the financial results of Shanghai Zunyi in our consolidated financial statements. For a detailed description of the risks associated with our corporate structure, please refer to risks disclosed under “Item 3. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure.”

The Holding Foreign Companies Accountable Act

Pursuant to the Holding Foreign Companies Accountable Act, or the HFCAA, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspections by the PCAOB for two consecutive years, the SEC will prohibit our shares or ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States. On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong, including our auditor. In May 2022, the SEC conclusively listed us as a Commission-Identified Issuer under the HFCAA following the filing of our annual report on Form 20-F for the fiscal year ended December 31, 2021. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. As of the date of this annual report, the PCAOB has not issued any new determination that it is unable to inspect or investigate completely registered public accounting firms headquartered in any jurisdiction. For this reason, we do not expect to be identified as a Commission-Identified Issuer under the HFCAA after we file this annual report on Form 20-F.

In view of the PCAOB’s December 2021 decision and until such time as the PCAOB issues any new adverse determination, the SEC has stated that there are no issuers at risk of having their securities subject to a trading prohibition under the HFCAA. However, whether the PCAOB will continue to be able to satisfactorily conduct inspections of PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong is subject to uncertainty and depends on a number of factors out of our control. If PCAOB determines in the future that it no longer has full access to inspect and investigate completely registered public accounting firms in mainland China and Hong Kong and we continue to use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. There can be no assurance that we would not be identified as a Commission-Identified Issuer for any future fiscal year, and if we were so identified for two consecutive years, we would become subject to the prohibition on trading under the HFCAA. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Ordinary Shares and ADSs — The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements. If the PCAOB in the future determines again that it is unable to inspect and investigate accounting firms in certain jurisdictions including where the office of our auditor is located, we and investors in our ADSs would be deprived of the benefits of such PCAOB inspections” and “Item 3. Key Information — D. Risk Factors — Related to Our Ordinary Shares and ADSs — Our ADSs may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely registered public accounting firms in certain jurisdictions including where the office of our auditor is located. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.”

Permissions Required from the PRC Authorities for Our Operations

Our business is subject to supervision and regulation by relevant PRC government authorities, including without limitation the Ministry of Commerce of the PRC, or the MOFCOM, the PRC Ministry of Industry and Information Technology, or the MIIT, the PRC State Administration for Market Regulation (formerly known as the SAIC), or the SAMR and National Medical Products Administration. We currently hold all material licenses and permits required for our business operations, including a value -added telecommunication license, or a VAT license, for domestic call center services and internet information services, a VAT license for online data processing and transaction processing business (operational e-commerce), Food Production Permit, Food Operation Permits, Publication Operation Permit, Road Transportation Operation Permit, Permits for Travel Business, Permits for Liquor Circulation and Medical Device Operation Enterprise Permit. However, we cannot assure you that we will be able to renew these licenses and permits upon their expiration or to expand the current business scope of these licenses and permits when required, obtain any license or permit that is in application, or obtain new licenses or permits in the future as a result of our business expansion, change in our business operations or change in laws and regulations applicable to us. For more detailed information, see “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business — Any lack of requisite approvals, licenses or permits applicable to our business or failure to comply with PRC laws and regulations may have a material and adverse impact on our business, financial condition and results of operations.”

Furthermore, in connection with our issuance of securities to foreign investors in the past, under current PRC laws, regulations, and rules, as of the date of this annual report, we, our PRC subsidiaries, and our VIE (i) are not required to obtain permissions from or complete filings with the China Securities Regulatory Commission, or the CSRC, (ii) are not required to go through cybersecurity review by the Cyberspace Administration of China, or the CAC, and (iii) have not received or were not denied such requisite permissions by any PRC authority.

However, the PRC government has recently indicated an intent to exert more oversight and control over offerings that are conducted overseas by and/or foreign investment in China-based issuers. On February 17, 2023, China Securities Regulatory Commission, or the CSRC, released several regulations regarding the filing requirements for overseas offerings and listings by domestic companies, including the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines (collectively, the “**Overseas Listing Filing Rules**”), which was formally implemented on March 31, 2023. According to the Overseas Listing Filing Rules, domestic enterprises like us that have completed overseas listings are not required to file with CSRC immediately, but shall carry out filing procedures as required if we conduct refinancing or fall within other circumstances that require filing with the CSRC. Any failure to obtain or delay in obtaining such approval or completing such procedures could subject us to restrictions and penalties imposed by the CSRC or other PRC regulatory authorities, which could include fines and penalties on our operations in China, delays of or restrictions on the repatriation of the proceeds from our offshore offerings into China, or other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our ADSs. For more detailed information, see “Item 3. Key Information - D. Risk Factors - Risks Related to Doing Business in the People’s Republic of China - The approval of and/or filing with the CSRC or other PRC government authorities may be required in connection with our offshore offerings under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing.”

Cash Transfers and Dividend Distribution

Baozun Inc., our Cayman Islands holding company, or the Parent, transfers cash to our wholly-owned Hong Kong subsidiaries, by making capital contributions or providing loans, and our Hong Kong subsidiaries transfers cash to our PRC subsidiaries by making capital contributions or providing loans to them.

Because the Parent and its subsidiaries control our VIE, through contractual arrangements, we are not able to make direct capital contribution to our VIE and its subsidiaries. However, we may transfer cash to our VIE by loans or collect cash from our VIE for inter-group transactions.

[Table of Contents](#)

The following table sets forth the amount of the transfers for the periods presented.

	Years Ended December 31,		
	2021	2022	2023
	(RMB in thousands)		
Capital contributions from Hong Kong subsidiaries to PRC subsidiaries	383,585	—	—
Loans from Parent to Hong Kong subsidiaries	—	—	—
Repayment from Hong Kong subsidiaries to Parent	2,256,302	1,127,579	365,227
Loans from Hong Kong subsidiaries to PRC subsidiaries	867,646	1,049,077	—
Amounts paid by our VIE to PRC subsidiaries	757,749	152,201	694,906

Our VIE may transfer cash to Shanghai Baozun E-Commerce Limited, or the WFOE, by paying service fees according to the exclusive technology service agreement. Pursuant to the exclusive technology service agreement, WFOE has the exclusive right to provide specified technology services to VIE. Without the prior written consent of WFOE, VIE may not accept the same or similar technology services provided by any third party during the term of the agreement. VIE agrees to pay to WFOE a service fee of 95% of the net revenues of VIE and extra service fees for additional services provided by WFOE as requested by VIE within three months after each calendar year for the services provided in the preceding year. Considering the future operating and cashflow needs of our VIE, for the years ended December 31, 2021, 2022 and 2023, no service fees were charged to our VIE by WFOE, and no payments were made by our VIE under the Exclusive Technology Service Agreement. If there is any amount payable to WFOE under the contractual agreements, our VIE will settle the amount accordingly.

For the years ended December 31, 2021, 2022 and 2023, no dividends or distributions were made to the Parent by our subsidiaries. For the years ended December 31, 2021, 2022 and 2023, no dividends or distributions were made to U.S. investors.

For purposes of illustration, the following discussion reflects the hypothetical taxes that might be required to be paid within mainland China, assuming that: (i) we have taxable earnings, and (ii) we determine to pay a dividend in the future:

	Taxation Scenario ⁽¹⁾	
	Statutory Tax and Standard Rates	
Hypothetical pre-tax earnings ⁽²⁾		100 %
Tax on earnings at statutory rate of 25% ⁽³⁾		25 %
Net earnings available for distribution		75 %
Withholding tax at standard rate of 10% ⁽⁴⁾		10 %
Net distribution to Parent/Shareholders		67.5 %

Notes:

- (1) For purposes of this example, the tax calculation has been simplified. The hypothetical book pre-tax earnings amount, not considering timing differences, is assumed to equal taxable income in China.
- (2) Under the terms of the exclusive technology service agreement, WFOE may charge our VIE for services provided to our VIE. These fees shall be recognized as expenses of our VIE, with a corresponding amount as service income by WFOE and eliminate in consolidation. For income tax purposes, our WFOE and our VIE file income tax returns on a separate company basis. The fees paid are recognized as a tax deduction by our VIE and as income by WFOE and are tax neutral.
- (3) Certain of our subsidiaries qualifies for a 15% preferential income tax rate in China. However, such rate is subject to qualification, is temporary in nature, and may not be available in a future period when distributions are paid. For purposes of this hypothetical example, the table above reflects a maximum tax scenario under which the full statutory rate would be effective.
- (4) The PRC Enterprise Income Tax Law imposes a withholding income tax of 10% on dividends distributed by a company in mainland China to its immediate holding company outside of China. A lower withholding income tax rate of 5% is applied if the immediate holding company is registered in Hong Kong or other jurisdictions that have a tax treaty arrangement with China, subject to a qualification review at the time of the distribution. For purposes of this hypothetical example, the table above assumes a maximum tax scenario under which the full withholding tax would be applied.

[Table of Contents](#)

The table above has been prepared under the assumption that 95% of the net revenues of our VIE will be distributed as fees to WFOE under tax neutral contractual arrangements. If, in the future, the accumulated earnings of our VIE exceed the fees paid to WFOE (or if the current and contemplated fee structure between the intercompany entities is determined to be non-substantive and disallowed by Chinese tax authorities), our VIE could, as a matter of last resort, make a non-deductible transfer to our PRC subsidiaries for the amounts of the stranded cash in our VIE. This would result in such transfer being non-deductible expenses for our VIE but still taxable income for WFOE.

Baozun Inc. is a holding company with no material operations of its own. We conduct our operations primarily through our subsidiaries and our VIE in China. As a result, our ability to pay dividends depends upon dividends paid by our PRC subsidiaries. If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly foreign-owned subsidiaries in China are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with their articles of association and PRC accounting standards and regulations. Under PRC law, each of our subsidiaries and our VIE in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of the entity's registered capital. Each of our PRC subsidiaries and our VIE may allocate a portion of its after-tax profits based on PRC accounting standards to a discretionary surplus fund at its discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by SAFE. As of December 31, 2023, the amount restricted, including paid-in capital and statutory reserve funds, was RMB 3,334,988 million (US\$469,723 million). Our PRC subsidiaries have not paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

Financial Information Related to Our VIE

The following table presents the condensed consolidating balance sheet data for our VIE and other entities as of the dates presented.

	As of December 31, 2023				
	Baozun Inc.	Subsidiaries	VIE and VIE's Subsidiaries (in RMB thousands)	Eliminating adjustments	Consolidated Totals
Cash and cash equivalents	446,105	1,626,560	76,866	—	2,149,531
Restricted cash	120,807	81,957	—	—	202,764
Short-term investments	—	720,522	—	—	720,522
Accounts receivable, net	—	3,297,894	182,989	(1,296,154)	2,184,729
Inventories, net	—	1,045,010	106	—	1,045,116
Advances to suppliers	—	307,032	4,079	—	311,111
Prepayments and other current assets	24,255	3,969,753	299,125	(3,702,783)	590,350
Amounts due from related parties	—	86,656	5	—	86,661
Amounts due from subsidiaries and VIE	1,681,216	—	—	(1,681,216)	—
Investments in and amount due from subsidiaries and VIE	1,844,885	—	—	(1,844,885)	—
Investments in equity investees	10,261	6,059,807	—	(5,710,939)	359,129
Property and equipment, net	—	849,786	1,365	—	851,151
Intangible assets, net	—	287,344	19,076	—	306,420
Land use right, net	—	38,464	—	—	38,464
Operating lease right-of-use assets	—	1,070,120	—	—	1,070,120
Goodwill	—	312,464	—	—	312,464
Other non-current assets	—	45,316	—	—	45,316
Deferred tax assets	—	200,628	—	—	200,628
Total assets	4,127,529	19,999,313	583,611	(14,235,977)	10,474,476
Short-term loan	—	1,115,721	—	—	1,115,721
Accounts payable	—	968,265	50,836	(455,539)	563,562
Notes payable	—	506,629	—	—	506,629
Income tax payables	—	15,468	3,300	—	18,768
Accrued expenses and other current liabilities	30,325	5,426,323	133,618	(4,402,087)	1,188,179
Amounts due to related parties	—	32,115	3	—	32,118
Current operating lease liabilities	—	332,983	—	—	332,983
Deferred tax liabilities	—	24,966	—	—	24,966
Long-term operating lease liabilities	—	799,096	—	—	799,096
Other non-current liabilities	—	40,718	—	—	40,718
Total liabilities	30,325	9,262,284	187,757	(4,857,626)	4,622,740

	As of December 31, 2022				
	Baozun Inc.	Subsidiaries	VIE and VIE's Subsidiaries (in RMB thousands)	Eliminating adjustments	Consolidated Totals
Cash and cash equivalents	783,543	1,316,401	44,076	—	2,144,020
Restricted cash	—	101,704	—	—	101,704
Short-term investments	138,052	757,373	—	—	895,425
Accounts receivable, net	—	6,233,974	295,409	(4,236,705)	2,292,678
Inventories, net	—	942,837	160	—	942,997
Advances to suppliers	—	424,051	2,041	(53,480)	372,612
Prepayments and other current assets	2,060	10,195,321	437,658	(10,080,624)	554,415
Amounts due from related parties	—	77,540	3	15,727	93,270
Amounts due from subsidiaries and VIE	1,434,838	—	—	(1,434,838)	—
Investments in and amount due from subsidiaries and VIE	2,114,145	—	—	(2,114,145)	—
Investments in equity investees	10,019	5,829,241	—	(5,569,567)	269,693
Property and equipment, net	—	694,265	1,495	(1,314)	694,446
Intangible assets, net	—	271,284	38,126	1,314	310,724
Land use right, net	—	39,490	—	—	39,490
Operating lease right-of-use assets	—	847,047	—	—	847,047
Goodwill	—	336,326	—	—	336,326
Other non-current assets	—	65,114	—	—	65,114
Deferred tax assets	—	162,509	—	—	162,509
Total assets	4,482,657	28,294,477	818,968	(23,473,632)	10,122,470
Short-term loan	—	1,016,071	—	—	1,016,071
Accounts payable	—	3,439,358	201,321	(3,165,947)	474,732
Notes payable	—	487,837	—	—	487,837
Income tax payables	—	46,828	959	(959)	46,828
Accrued expenses and other current liabilities	33,737	11,933,627	212,140	(11,153,964)	1,025,540
Derivative liabilities	364,758	—	—	—	364,758
Amounts due to related parties	—	30,434	15,727	(15,727)	30,434
Current operating lease liabilities	—	235,445	—	—	235,445
Deferred tax liabilities	—	28,082	—	—	28,082
Long-term operating lease liabilities	—	673,955	—	—	673,955
Other non-current liabilities	—	62,450	—	—	62,450
Total liabilities	398,495	17,954,087	430,147	(14,336,597)	4,446,132

	As of December 31, 2021				
	Baozun Inc.	Subsidiaries	VIE and VIE's Subsidiaries (in RMB thousands)	Eliminating adjustments	Consolidated Totals
Cash and cash equivalents	1,894,125	2,698,474	13,946	—	4,606,545
Restricted cash	—	93,219	—	—	93,219
Accounts receivable, net	—	4,747,333	299,250	(2,785,665)	2,260,918
Inventories, net	—	1,070,534	3,033	—	1,073,567
Advances to suppliers	—	545,751	35,571	(53,349)	527,973
Prepayments and other current assets	106,282	8,400,000	162,552	(8,096,060)	572,774
Amounts due from related parties	—	68,984	420	(420)	68,984
Amounts due from subsidiaries and VIE	2,189,936	—	—	(2,189,936)	—
Investments in and amount due from subsidiaries and VIE	2,440,880	—	—	(2,440,880)	—
Investments in equity investees	110,479	5,811,748	—	(5,591,439)	330,788
Property and equipment, net	—	652,641	1,797	(1,552)	652,886
Intangible assets, net	—	380,574	13,084	1,552	395,210
Land use right, net	—	40,516	—	—	40,516
Operating lease right-of-use assets	—	1,095,570	—	—	1,095,570
Goodwill	—	397,904	—	—	397,904
Other non-current assets	—	87,926	—	—	87,926
Deferred tax assets	—	114,200	—	—	114,200
Total assets	6,741,702	26,205,374	529,653	(21,157,749)	12,318,980
Short-term loan	1,740,004	548,461	—	—	2,288,465
Accounts payable	—	2,223,190	140,451	(1,869,562)	494,079
Notes payable	—	529,603	—	—	529,603
Income tax payables	94,298	33,692	497	(497)	127,990
Accrued expenses and other current liabilities	11,041	10,033,408	27,538	(9,087,468)	984,519
Amounts due to related parties	—	73,794	—	—	73,794
Current operating lease liabilities	—	278,176	—	—	278,176
Deferred tax liabilities	—	51,525	—	—	51,525
Long-term operating lease liabilities	—	883,495	—	—	883,495
Other non-current liabilities	—	125,985	—	—	125,985
Total liabilities	1,845,343	14,781,329	168,486	(10,957,527)	5,837,631

The following table presents the condensed consolidating statements of operations for our VIE and other entities for the periods presented.

	For the Year Ended December 31, 2023				
	Baozun Inc.	Subsidiaries	VIE and VIE's Subsidiaries (in RMB thousands)	Eliminating adjustments	Consolidated Totals
Net Revenues	—	10,764,698	566,126	(2,518,811)	8,812,013
Net (loss) income	278,422	(46,077)	(4,508)	(5,061)	222,776

	For the Year Ended December 31, 2022				
	Baozun Inc.	Subsidiaries	VIE and VIE's Subsidiaries (in RMB thousands)	Eliminating adjustments	Consolidated Totals
Net Revenues	—	10,556,756	616,206	(2,772,331)	8,400,631
Net (loss) income	(653,290)	(635,285)	24,911	653,290	(610,374)

	For the Year Ended December 31, 2021				
	Baozun Inc.	Subsidiaries	VIE and VIE's Subsidiaries (in RMB thousands)	Eliminating adjustments	Consolidated Totals
Net Revenues	—	10,822,359	809,547	(2,235,650)	9,396,256
Net income	(219,830)	(253,053)	47,090	219,830	(205,963)

The following table presents condensed consolidating cash flow data for our VIE and other entities for the years ended presented.

	For the Year Ended December 31, 2023				
	Baozun Inc.	Subsidiaries	VIE and VIE's Subsidiaries (in RMB thousands)	Eliminating Adjustments	Consolidated Totals
Net cash provided by operating activities	1,847	404,829	31,421	10,158	448,255
Net cash provided by (used in) investing activities	(118,081)	(538,433)	(2,504)	318,646	(340,372)
Net cash provided by (used in) financing activities	(87,200)	(141,746)	—	220,913	(8,033)

	For the Year Ended December 31, 2022				
	Baozun Inc.	Subsidiaries	VIE and VIE's Subsidiaries (in RMB thousands)	Eliminating Adjustments	Consolidated Totals
Net cash provided by (used in) operating activities	(116,410)	(508,612)	31,698	975,929	382,605
Net cash provided by (used in) investing activities	989,527	(76,617)	(4,053)	(2,215,518)	(1,306,661)
Net cash provided by (used in) financing activities	(2,112,641)	(248,445)	—	213,794	(1,650,402)

	For the Year Ended December 31, 2021				
	Baozun Inc.	Subsidiaries	VIE and VIE's Subsidiaries (in RMB thousands)	Eliminating Adjustments	Consolidated Totals
Net cash provided by (used in) operating activities	(43,628)	(2,579,716)	(7,440)	2,534,677	(96,107)
Net cash provided by (used in) investing activities	1,736,165	(915,121)	(10,246)	(434,978)	375,820
Net cash provided by (used in) financing activities	(74,513)	1,197,027	—	(372,561)	749,953

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 ADSs and/or Class A ordinary shares involves significant risks. Below is a summary of material risks we face, organized under relevant headings. These risks are discussed more fully in “Item 3. Key Information — D. Risk Factors.”

Risks Related to Our Business

- If the e-commerce market in China does not grow, or grows more slowly than we expect, demand for our services and solutions could be adversely affected.

- If the complexities and challenges faced by brand partners seeking to sell online diminish, or if our brand partners increase their in-house e-commerce capabilities as an alternative to our solutions and services, demand for our solutions and services could be adversely affected.
- Our success is tied to the success of our existing and future brand partners for which we operate their brand e-commerce business.
- If we are unable to retain our existing brand partners, our results of operations could be materially and adversely affected.
- We may continue to incur losses in the future and may not be able to return to and subsequently maintain profitability.
- If we fail to maintain our relationships with e-commerce channels or adapt ourselves to emerging e-commerce channels, or if e-commerce channels otherwise curtail or inhibit our ability to integrate our solutions with their channels, our solutions would be less appealing to existing and potential brand partners.
- We rely on the success of certain e-commerce channels such as Tmall.
- Under the consignment model and service fee model, a variable portion of the revenues we generate from certain brand partners is based upon the amount of GMV, and any change to such pricing mechanism may adversely affect our financial results.
- We may not be able to compete successfully against current and future competitors.
- Material disruption of e-commerce channels could prevent us from providing services to our brand partners and reduce sales in stores operated by us.
- The proper functioning of our technology platform is essential to our business. Any failure to maintain the satisfactory performance of our platform could materially and adversely affect our business and reputation.
- We have experienced steady growth in recent years, and failure to manage our growth and return to or maintain profitability could harm our business and prospects.

Risks Related to Our Corporate Structure

- If the PRC government deems that the contractual arrangements in relation to Shanghai Zunyi do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operation.
- We rely on contractual arrangements with our VIE and its shareholders for a portion of our business operations, which may not be as effective as direct ownership in providing operational control.

Risks Related to Doing Business in the People's Republic of China

- Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.
- There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.
- We are subject to laws that are applicable to retailers, including advertising and promotion laws and consumer protection laws that could require us to modify our current business practices and incur increased costs.

- Failure to comply with the relatively new E-Commerce Law may have a material adverse impact on our business, financial conditions and results of operations.
- The approval of or the filing with the CSRC or other PRC government authorities may be required in connection with our future offshore listings and capital raising activities under PRC law. If required, we cannot predict whether or for how long we will be able to obtain such approval or filing.

Risks Related to Our Ordinary Shares and ADSs

- The trading price of our ADSs and our Class A ordinary shares has been and is likely to continue to be volatile, which could result in substantial losses to the holders of our ADSs and/or Class A ordinary shares.
- The different characteristics of the capital markets in Hong Kong and the United States may negatively affect the trading prices of our ADSs and Class A ordinary shares.
- Substantial future sales or perceived potential sales of our ADSs and/or Class A ordinary shares in the public market could cause the prices of our ADSs and/or Class A ordinary shares to decline.
- The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements. If the PCAOB in the future determines again that it is unable to inspect and investigate accounting firms in certain jurisdictions including where the office of our auditor is located, we and investors in our ADSs would be deprived of the benefits of such PCAOB inspections.
- Our ADSs may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely registered public accounting firms in certain jurisdictions including where the office of our auditor is located. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

Risks Related to Our Business

If the e-commerce market in China does not grow, or grows more slowly than we expect, demand for our services and solutions could be adversely affected.

Continued demand from our existing and potential future brand partners to use our services and solutions depends on whether e-commerce will continue to be widely accepted. Our future results of operations will depend on numerous factors affecting the development of the e-commerce industry in China, which may be beyond our control. These factors include:

- the growth of internet, broadband, personal computer and mobile penetration and usage in China, and the rate of any such growth;
- the trust and confidence level of online retail consumers in China, as well as changes in consumers' demographics, tastes and preferences;
- whether alternative retail channels or business models that better address the needs of consumers emerge in China; and
- the development of fulfillment, payment and other ancillary services associated with online purchases.

If consumer utilization of e-commerce channels in China does not grow or grows more slowly than we expect, demand for our services and solutions would be adversely affected, our revenues would be negatively impacted and our ability to pursue our growth strategy would be compromised.

If the complexities and challenges faced by brand partners seeking to sell online diminish, or if our brand partners increase their in-house e-commerce capabilities as an alternative to our solutions and services, demand for our solutions and services could be adversely affected.

One of the key attractions of our solutions and services to brand partners is our ability to help address the complexities and difficulties they face in the e-commerce market in China. If the level of such complexities and difficulties declines as a result of changes in the e-commerce landscape or otherwise, or if our brand partners choose to increase their in-house support capabilities as an alternative to our e-commerce solutions and services, our solutions and services may become less important or attractive to our brand partners, and demand for our solutions and services may decline.

Our success is tied to the success of our existing and future brand partners for which we operate their brand e-commerce business.

Our success is substantially dependent upon the success of our brand partners. As we continue to expand and optimize our brand partner base, our future success will also be tied to the success of our future brand partners. We cannot assure you that our efforts to attract new brand partners and other customers and optimize our brand partner base will be successful. If such efforts fail, it may have a material adverse impact on our business performance or results of operation. The retail business in China is intensely competitive. If our brand partners were to experience any significant decline in their online sales due to any reason, such as newly identified quality or safety issues or decreased popularity of their products, or if they were to have any financial difficulties, suffer impairment of their brands or if the profitability of, or demand for, their products decreases for any other reason, it could adversely affect our results of operations and our ability to maintain and grow our business. Our business could also be adversely affected if our brand partners' product sales, marketing, brands or retail stores are not successful or if our brand partners reduce their marketing efforts.

If we are unable to retain our existing brand partners, our results of operations could be materially and adversely affected.

We provide brand e-commerce service to brand partners primarily pursuant to contractual arrangements with a term typically ranging from 12 to 36 months. These contracts may not be renewed or, if renewed, may not be renewed on the same or more favorable terms for us. We may not be able to accurately predict future trends in brand partners renewals, and our brand partners' renewal rates may decline or fluctuate due to factors such as level of satisfaction with our services and solutions and our fees and charges, as well as factors beyond our control, such as level of competition faced by our brand partners, their level of success in e-commerce and their spending levels.

In particular, some of our existing brand partners have had years of cooperation with us and we generated a significant portion of our net revenue through (i) the sale of products in the stores of these brands operated by us and (ii) provision of our services to these brand partners, which we collectively refer to as net revenues "related to" these brand partners in order to assess our overall business relationship with them. In 2023, net revenues related to our top 10 brand partners as ranked by net revenues in the aggregate comprised approximately 55.3% of our total net revenues. Net revenues related to our top two brand partners as ranked by net revenues comprised approximately 14.4% and 14.0% of our total net revenues, respectively, in 2023. Total GMV related to our top 10 brand partners as ranked by GMV in the aggregate comprised a significant portion of our total GMV in 2023. Some of our other brand partners also contributed substantially to our total GMV while our net revenues related to them were less significant as they mainly utilized our capabilities under the service fee model or consignment model and therefore we did not generate any product sales revenue related to them. However, if any brand partner terminates or does not renew its business relationship with us, our GMV may be materially and adversely affected. In the past, some brand partners did not renew their business relationships with us, and we cannot assure you that our existing brand partners will renew their business relationships with us in the future. If some of our existing brand partners, in particular brand partners with years of cooperation with us, terminate or do not renew their business relationships with us, renew on less favorable terms or for fewer services and solutions, and we do not acquire replacement brand partners or otherwise grow our brand partner base, our results of operations may be materially and adversely affected.

Some of our contracts with existing brand partners were based on standard forms proposed by such brand partners that contain non-compete provisions prohibiting us from selling products of, or providing similar services to, competitors of such brand partners. Such provision has restricted and may continue to restrict the development and expansion of our business with some of our brand partners. As our business further expands, we may engage in business with multiple brand partners that may be in competition with each other and may be subject to similar non-compete restrictions requested from other existing brand partners or future brand partners. We cannot assure you that we will not be found to be in breach of such non-compete provisions with our existing or future brand partners if any of our brand partners brings claims against us for breach of such provisions. If any such claim is brought against us and we are found to be in breach of any non-compete provision, we may be subject to potential liabilities and penalties for breach of contracts, including liquidated damages and forfeiture of sales bonuses, and our brand partners may decide to terminate their contracts with us, which may cause us to lose revenue. As a result of such potential breach, our reputation, financial condition and results of operations may be materially and adversely affected.

We may continue to incur losses in the future and may not be able to return to and subsequently maintain profitability.

We recorded a net loss of RMB206.0 million, RMB610.4 million and RMB222.8 million (US\$31.4 million) in 2021, 2022 and 2023, respectively. The net loss in 2021 was mainly due to an unrealized investment loss of RMB210.0 million during the 2021, as well as weaker profitability from operations caused by a combination of deteriorated macro-economic environment, negative impact from the Better Cotton Initiatives, and write-down on accounts receivable from certain distributor. The net loss in 2022 was mainly due to a fair value loss on derivative liabilities of RMB364.8 million, a loss on disposal of subsidiaries and investments in equity investee of RMB107.0 million, an unrealized investment loss of RMB97.8 million during the 2022, as well as weaker profitability from operations caused by a combination of deteriorated macro-economic environment and negative impact from the Better Cotton Initiatives. The net loss in 2023 was mainly due to weaker profitability from operations caused by a combination of deteriorated macro-economic environment and the integration cost after acquisition of GAP. We cannot assure you that we will be able to return to profitability and subsequently maintain profitability in the future. We anticipate that our operating expenses will increase substantially in the foreseeable future as we increase the scale of our operations. To return to or sustain profitability, we will need to increase our revenue sufficiently to offset these higher expenses, increase sales of the products and services that have higher profit margins or significantly reduce our expense level. If we are forced to reduce our expenses, our growth strategy could be compromised. We may incur significant losses in the future for a number of reasons, including the other risks described in this annual report. We may also further encounter unforeseen expenses, difficulties, complications, delays and other unknown events. If we are not able to return to or subsequently maintain profitability, the value of our company and our ADSs and/or Class A ordinary shares could decline significantly.

If we fail to maintain our relationships with e-commerce channels or adapt ourselves to emerging e-commerce channels, or if e-commerce channels otherwise curtail or inhibit our ability to integrate our solutions with their channels, our solutions would be less appealing to existing and potential brand partners.

We generate a substantial majority of our revenues from the solutions we provide on e-commerce channels, including marketplaces, social media and other emerging e-commerce channels. These e-commerce channels have no obligation to do business with us or to allow us to have access to their channels in the long term. If we fail to maintain our relationships with these channels, they may decide at any time and for any reason to significantly curtail or inhibit our ability to integrate our solutions with their channels. We have annual platform service agreements with major online marketplaces, which may not be renewed in the future.

Additionally, these channels may decide to make significant changes to their respective business models, policies, systems or plans, and those changes could impair or inhibit our ability or our partners' ability to use our solutions to sell their products on those channels, or may adversely affect the amount of GMV that our partners can sell on those channels, or otherwise reduce the desirability of selling on those channels. Further, any of these channels could decide to acquire capabilities that would allow them to compete with us. If we are unable to adapt to new e-commerce channels as they emerge, our solutions may be less attractive to our partners. Any of these developments could have a material adverse effect on our results of operations.

We rely on the success of certain e-commerce channels such as Tmall.

A substantial majority of our GMV is derived from merchandise sold or services rendered on Tmall. If e-commerce channels such as Tmall are not successful in attracting consumers or their reputations are adversely affected for whatever reasons, our brand partners may cease to sell their products on these channels. As our results of operations rely on the solutions we provide on these e-commerce channels, a decrease in the use of these channels would reduce demands for our services, which would adversely affect our business and results of operations.

Under the consignment model and service fee model, a variable portion of the revenues we generate from certain brand partners is based upon the amount of GMV, and any change to such pricing mechanism may adversely affect our financial results.

A negotiated portion of the revenues we generate from certain brand partners under the consignment model and service fee model is variable based on GMV generated through such partners' online stores that we operate. If that GMV were to decline, does not grow as expected, or if our partners demand pricing terms that do not provide for variability based on the value of purchases transacted and settled on the stores operated by us, our revenue, profitability and business prospects may be adversely affected.

In addition, the ratio of our revenues as a percentage of GMV generated through the partners' online stores that we operate could vary as their bargaining power increases or our service scope reduces, which could adversely affect our financial results. We also intend to focus on high quality GMV categories. Although we are focused on achieving a higher ratio of our revenues as a percentage of GMV generated through the partners' online stores that we operate, there is no guarantee that we will successfully achieve this and our failure to do so could adversely affect our financial results.

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

We face intense competition in the market for brand e-commerce solutions and services, and we expect competition to continue to intensify in the future. For instance, our contracts with our brand partners are generally not on an exclusive basis and we generally do not have contractual rights to exclusively sell the products of our brand partners under the distribution model. As a result, we may face competitions with other brand e-commerce service providers that our brand partners work with. Increased competition may result in reduced pricing or service scope for our services and solutions or a decrease in our market share, any of which could negatively affect our ability to retain existing brand partners and attract new brand partners, our future financial and operating results, and our ability to grow our business.

A number of competitive factors could cause us to lose potential sales or to sell our services and solutions at lower prices or at reduced profitability, including:

- Potential brand partners may choose to use or develop applications or build e-commerce teams or infrastructures in-house, rather than pay for our solutions and services;
- The e-commerce channels themselves, which typically offer, often free, software tools that allow brand partners to connect to the e-commerce channels, may decide to compete more vigorously with us;
- Competitors may adopt more aggressive pricing policies and offer more attractive sales terms, adapt more quickly to new technologies and changes in brand partners' requirements, and/or devote greater resources to the promotion and sales of their products and services than we can;
- Current and potential competitors may offer software or services that addresses one or more online channel management and logistics functions at a lower price point or with greater depth than our solutions and may be able to devote greater resources to those solutions than we can; and
- Software vendors could bundle channel management solutions with other solutions or offer such products at a lower price as part of a larger product sale.

In addition, competition may intensify as our competitors raise additional capital and as established companies in other market segments or geographic markets expand into our market segments or geographic markets. If we cannot compete successfully against our competitors, our business and our operating and financial results could be adversely affected.

Material disruption of e-commerce channels could prevent us from providing services to our brand partners and reduce sales in stores operated by us.

E-commerce channels could cease operations unexpectedly due to a number of events, including interruptions in telecommunication services, computer viruses or unlawful access to e-commerce channels. Any material channel downtime or disruption could prevent us from providing services to our brand partners and reduce sales in stores operated by us. If one or more of the e-commerce channels we operate on experience downtime or disruption, the adverse effects of such downtime and disruption could be significant to our operations as a whole.

The proper functioning of our technology platform is essential to our business. Any failure to maintain the satisfactory performance of our platform could materially and adversely affect our business and reputation.

The satisfactory performance, reliability and availability of our technology platform are critical to our success and our ability to attract and retain brand partners and provide quality customer services. Any system interruptions caused by telecommunications failures, errors encountered during system upgrades or system expansions, computer viruses, hacking or other attempts to harm our systems that result in the unavailability or slowdown of our technology platform, degraded order fulfillment performance, or additional shipping and handling costs may, individually or collectively, materially and adversely affect our business, reputation, financial condition and results of operations.

In addition, any system failure or interruption could cause material damage to our reputation and brand image if our systems are perceived to be insecure or unreliable. Our servers may also be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to system interruptions, website slowdown or unavailability, delays or errors in transaction processing, loss of data or the inability to accept and fulfill consumers' orders. Security breaches, computer viruses and hacking attacks have become more prevalent in our industry. We have experienced in the past and may experience in the future such attacks and unexpected interruptions. We can provide no assurance that our current security mechanisms will be sufficient to protect our IT systems from any third-party intrusions, viruses or hacker attacks, information or data theft or other similar activities. Any such future occurrences could materially and adversely affect our business, reputation, financial condition and results of operations.

Additionally, we must continue to upgrade and improve our technology platform to support our business growth, and failure to do so could impede our growth. However, we cannot assure you that we will be successful in executing these system upgrades and improvement strategies. In particular, our systems may experience interruptions during upgrades, and the new technologies or infrastructures may not be fully integrated with the existing systems on a timely basis, or at all. If our existing or future technology platform does not function properly, it could cause system disruptions and slow response times, affecting data transmission, which in turn could materially and adversely affect our business, financial condition and results of operations.

We also rely on technologies that we license from third parties, such as Microsoft, Adobe and certain management information systems. These licenses may not continue to be available to us on commercially reasonable terms or at all in the future. As a result, we may be required to obtain substitute technologies. There is no assurance that we will be able to obtain such substitute technologies on commercially reasonable terms, or at all, which could negatively affect the functionality of our technology platform and our business operations.

If we are unable to offer branded products at attractive prices to meet customer needs and preferences, or if our reputation for selling authentic, high-quality products suffers, we may lose customers and our business, financial condition, and results of operations may be materially and adversely affected.

Our future growth depends on our ability to continue to attract new customers as well as to increase the spending and repeat purchase rate of existing customers. Constantly changing consumer preferences have historically affected, and will continue to affect, the online retail industry. Consequently, we shall stay abreast of emerging lifestyle and consumer preferences and anticipate product trends that will appeal to existing and potential customers. Our ability to offer suitable products catering to consumers' needs depends on the effectiveness of our sales and marketing team to secure branded products of high quality and competitive price as well as the capability of our IT system to collect and provide accurate and reliable information on consumer interests. Any perception by our existing or prospective customers that any of our products are not authentic, or are of inferior quality, could cause our reputation to suffer. We cannot assure you that all of our suppliers have provided us with authentic products or that all products that we sell are of the quality satisfactory to our customers. If our customers cannot find desirable products within our product portfolio at attractive prices, or if our reputation for selling authentic, high-quality product suffers, our customers may lose interest or even stop visiting the platform we maintain, which in turn may materially and adversely affect our business, financial condition, and results of operations.

We have experienced steady growth in recent years, and failure to manage our growth and return to or maintain profitability could harm our business and prospects.

We have experienced steady growth in recent years. Our total net revenues increased from RMB7,278.2 million in 2019 to RMB8,812.0 million (US\$1,241.1 million) in 2023, representing a compound annual growth rate of 4.9%. However, there is no assurance that we will be able to maintain our historical growth rates in future periods. Our revenue growth may slow or our revenues may decline for many reasons, including competition, slower growth of the China retail or China online retail sales, fulfillment bottlenecks, emergence of alternative business models, changes in government policies and other general economic conditions.

Our growth has placed, and continues to place, significant strain on our management and resources. We anticipate that we will need to implement new or upgraded operational and financial systems, procedures and controls, including the improvement of our accounting and other internal management systems. We also need to expand, train, manage and motivate our workforce and manage our relationships with our partners, suppliers, third-party merchants and other service providers. To return to or maintain profitability, we must implement such upgrades, manage our workforce cost-effectively and manage our cost of products and operating expenses. We cannot assure you that we will be able to manage our growth or return to or maintain profitability or execute our strategies effectively, and any failure to do so may have a material adverse effect on our business and prospects. Accordingly, our historical performance may not be indicative of future operating results.

We have granted and may continue to grant options, restricted share units and other types of awards under our Share Incentive Plans, which may result in increases in share-based compensation expenses and negatively affect our results of operations.

In previous years, we adopted the 2014 Share Incentive Plan and the 2015 Share Incentive Plan to provide additional incentives to employees, directors and consultants. In November 2022, we adopted the 2022 Share Incentive Plan to replace the 2014 Share Incentive Plan and the 2015 Share Incentive Plan. The 2014 Share Incentive Plan, the 2015 Share Incentive Plan and the 2022 Share Incentive Plan are collectively referred to as the Share Incentive Plans. We have granted under our Share Incentive Plans, and may continue to grant under our 2022 Share Incentive Plan, options, restricted share units and other types of awards. As of December 31, 2023, the number of shares which may be issued pursuant to all outstanding awards, including options and restricted share units under the Share Incentive Plans, was 8,502,786. For the years ended December 31, 2021, 2022 and 2023, we recorded an aggregate of RMB196.5 million, RMB142.4 million and RMB103.4 million (US\$14.6 million), respectively, in share-based compensation expenses. We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based awards in the future. In addition, we may from time to time re-evaluate the vesting schedules, exercise prices or other key terms of the grants, increase the maximum number of shares to be issued under the 2022 Share Incentive Plan, or adopt new share incentive plans subject to the applicable laws and rules. If we choose to do so, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

We had negative operating cash flows in the year ended December 31, 2021, and may have negative operating cash flows in the future.

We had negative operating cash flows for the year ended December 31, 2021 primarily due to (i) the negative impact of COVID-19 pandemic on our business, (ii) a decrease in sales from several brand partners in the apparel and accessories category due to the Better Cotton Initiatives, (iii) an increase in account receivables caused by the growth of our consignment and service fee models, as well as in their write-downs, and (iv) an increase in our working capital expenditures, including to fund increased inventories and prepayments for goods under our distribution model. We cannot assure you that we will not have negative operating cash flows in the future, which may negatively affect our liquidity.

We make investments in business initiatives, some of which may not be successful. Any unsuccessful business initiatives could materially and adversely affect our business, financial condition and results of operations.

In 2023, we entered into business transformation and expanded into three major business lines, namely Baozun E-Commerce (BEC), Baozun Brand Management (BBM) and Baozun International (BZI). BEC includes our China e-commerce businesses, such as brands' store operations, customer services and value-added services in logistics and supply chain management, IT, and digital marketing. BBM engages in holistic brand management, including strategy and tactic positioning, branding and marketing, retail and e-commerce operations, supply chain and logistics, and technology empowerment. We aim to leverage our portfolio of technologies to establish longer and deeper relationships with brands. BZI is a long-term opportunity that we will patiently invest in and explore. We have a distinct advantage to replicate our China e-commerce success. Baozun International will empower brands with local market insights and critical e-commerce infrastructure, serving local consumers through a wide product selection and differentiated customer experience. For BEC, our prospects for growth depend on our ability to innovate and continue to strategize new value-added brand e-commerce service through improved technologies and on our ability to effectively commercialize such innovations. There are uncertainties related to our investments in new solutions, services, emerging channels and regions. For example, we may invest in overseas market in the coming few years to replicate the success of China e-commerce and expand international market. For BBM, we may invest in new brands under our brand management portfolio. However, there are uncertainties related to our investments in these new brands. For BZI, we may invest in overseas market and these investment may contain uncertainties due to multiple factors such as different culture, consumer online purchasing willingness, local competition dynamics and so on.

We may not be able to recoup the capital expenditures we incur to strengthen our technology and innovation capabilities and upgrade our technology platform.

We have invested and will continue to expend financial resources to strengthen our technology and innovation capabilities and upgrade our technology platform, in order to serve a wider variety of brand partners and other customers with a broader array of services. For example, our technology and innovation center focuses on enhancing our IT capabilities and helps us shape the market by developing new systems such as cloud-based operating platforms and big data analysis tools for brand e-commerce, implementing artificial intelligence in brand e-commerce, and upgrading the current technology systems. In addition, we developed our retail operation support system, or ROSS, which encompasses a series of modules enabling efficient product management, store content management, store event management and customer analysis to facilitate automation and digitalization to enhance efficiency of online store operations. We expect that we will continue to invest in these and other initiatives as our business develops. However, investments in technology and innovation initiatives are inherently uncertain, and we may encounter practical difficulties in deploying or commercializing our technology and innovations. As a result, we may not be able to recover the expenditures associated with these investments, and any recovery of such expenses may take longer than expected.

Our expansion into new product categories may expose us to new challenges and more risks.

We currently serve brand partners in the following categories: apparel and accessories; appliances; electronics; home and furnishings; food and health products; beauty and cosmetics; fast moving consumer goods, and mother and baby products; and automobiles. In the future, we may provide services to brand partners in new product categories in which we have limited experience and operating history. Our product mix also affects our revenue mix and profitability. This may make predicting our future results of operations more difficult than it otherwise would be. Therefore, our past results of operations should not be taken as indicative of our future performance. If we cannot successfully manage our product mix, address new challenges or compete effectively, we may not be able to recover costs of our investments and eventually achieve profitability, and our future results of operations and growth prospects may be materially and adversely affected.

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

We have experienced and expect to continue to experience seasonal fluctuations in our revenues. These seasonal patterns have caused and will continue to cause fluctuations in our operating results. Our results of operations historically have been seasonal primarily because consumers increase their purchases during particular promotional activities, such as Singles Day (an online sales promotions event that falls on or around November 11 each year) promotion and the impact of seasonal buying patterns within certain categories such as apparel. In addition, we generally experience a lower level of sales activity in the first quarter due to the Chinese New Year holiday, during which consumers generally spend less time shopping online and businesses in China are generally closed.

In anticipation of increased sales activity during peak seasons, we increase our inventory levels and incur additional expenses, including by hiring a significant number of temporary employees to supplement our permanent staff. If our seasonal revenues are below expectations, our operating results could be below the expectations of securities analysts and investors. Due to the nature of our business, it is difficult to predict the impact of this seasonality on our business and financial results. In the future, our seasonal sales patterns may become more pronounced, may strain our personnel, customer service operations, fulfillment operations and shipment activities and may cause a shortfall in revenues compared to expenses in a given period. As a result, the trading price of our ADSs and/or Class A ordinary shares may fluctuate from time to time due to seasonality.

In addition, if too many consumers access the online stores operated by us within a short period of time due to increased promotions or other demand surges, we may experience system interruptions that make such online stores unavailable or prevent us from transmitting orders to our fulfillment operations. Any such system interruptions may reduce the volume of transactions in the stores that we operate as well as the attractiveness of such online stores to consumers. In anticipation of increased sales activity during peak seasons, we and our brand partners increase our inventory levels. If we and our brand partners do not increase inventory levels for popular products in sufficient amounts or are unable to restock popular products in a timely manner, we and our brand partners may fail to meet customer demand which could reduce the attractiveness of such online stores. Alternatively, if we overstock products, we may be required to take significant inventory markdowns or write-offs under the distribution model, which could reduce profits. Either of these outcomes may lead our brand partners to reduce their engagement with us.

Our investments in or acquisition of third-party entities may not be successful and may have a material and adverse effect on our business, reputation, results of operations and financial condition.

We have made investments in or acquisition of third parties that are complementary to our business and operations. In 2022, we acquired Gap (Shanghai) Commercial Co., Ltd. and Gap Taiwan Limited (collectively, “Gap Greater China”), which is wholly owned by The Gap, Inc., an American specialty apparel company offering iconic comfort-casual wear, accessories, and personal care products for men, women, and children. In 2023, we acquired 51% equity interest in a special purpose vehicle established by ABG Hunter LLC, which holds the relevant intellectual property of Hunter brands in Greater China and Southeast Asia (“**Hunter IP Holdco**”). We may pursue strategic alliances, joint ventures or potential strategic acquisitions that are complementary to our business and operations, including opportunities that can help us promote our solutions to new brand partners, expand our service offerings and improve our technology infrastructure. Strategic alliances or joint ventures with third parties could subject us to many risks, including risks associated with sharing proprietary information, non-performance or default by counterparties, and increased expenses in establishing these new alliances, any of which may materially and adversely affect our business. We may have little ability to control or monitor the actions of our strategic partners. To the extent a strategic partner suffers any negative publicity as a result of its business operations, our reputation may be negatively affected by virtue of our association with such party.

In addition, investments or acquisitions and the subsequent integration of new assets and businesses into our own will require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations. The costs of identifying and consummating investments and acquisitions may be significant. We may also incur significant expenses in obtaining necessary approvals from relevant government authorities in China and elsewhere in the world. In addition, investments and acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities and exposure to potential unknown liabilities of the acquired business. The cost and duration of integrating newly acquired businesses could also materially exceed our expectations. Any such negative developments could have a material adverse effect on our business, financial condition and results of operations.

We may also enter into relatively new markets and industries through investments or acquisitions, such as express delivery and new emerging channel live-streaming industries, which may expose us to different and unforeseen risks. We cannot guarantee that our efforts to venture into new domains will be successful. Due to our lack of prior experience in these new markets or industries, we may not be able to navigate the rapidly evolving regulatory environment or to forecast and meet the constantly changing demands and preferences for products and services. Some of these new markets and industries are emerging with relatively novel and untested business models. We also may not realize the anticipated benefits of our investments in or acquisitions of specific targets due to uncertainties in their performance and valuation or failure to integrate them into our existing business, or difficulty in operating them with our existing expertise and resources. The above challenges could lead to developments or results that would have a material adverse effect on our business, financial condition and results of operations.

We may incur impairment charges for our goodwill.

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable assets and liabilities acquired as a result of our acquisitions of interests in our subsidiaries and our VIE. We allocate goodwill to reporting units based on the benefit each reporting unit derived from the business combination. Goodwill is tested for impairment at reporting unit level on an annual basis, or more frequently if events occur or circumstances change, indicating that it is more likely than not the fair value of a reporting unit would be below its carrying value.

We recognized impairment of goodwill of RMB13.2 million and RMB35.2 million (US\$5.0 million) in 2022 and 2023, respectively, and may continue to recognize impairment loss of goodwill in the future. We cannot guarantee that we will not record greater impairment losses in the future. Material impairment of goodwill could negatively affect our financial condition and results of operations.

We are exposed to significant downward adjustments or impairments in the market values of our investments, which may materially affect our financial results.

As part of our business strategy, we have made investments in both private companies and public companies. The value of these investments can be negatively impacted by fluctuations in the share price of the public companies, the fair or appraised values of the private companies, as well as liquidity, credit deterioration or losses, financial results, foreign exchange rates, changes in interest rates, or other factors. We adopted ASC Topic 321, Investments—Equity Securities (“ASC 321”), for equity securities without readily determinable fair values, and elected to use the measurement alternative to measure them 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. Equity securities with readily determinable fair values are measured at fair value, and any changes in fair value are recognized in earnings. The change of these equity securities’ fair value could result in significant fluctuation of our financial condition and operating results.

We recorded impairment loss of investments of RMB3.5 million, RMB8.4 million and nil in 2021, 2022 and 2023, respectively. We recorded unrealized investment loss of RMB68.0 million (US\$9.6 million) in 2023, which was mainly due to the decrease in the trading price of Lanvin Group, a company successfully listed on the New York Stock Exchange in December 2022. We may be required to perform impairment assessment and suffer significant impairment loss or downward adjustments of our investments in the future due to the impact of evolving e-commerce dynamics, health epidemics such as COVID-19, regulatory and competitive environment of the industries, circumstances of our invested companies and other factors. The value or liquidity of our investments could decline and result in a material impairment, which could materially adversely affect our financial condition and operating results.

Our substantial level of indebtedness could adversely affect our financial condition.

We have a substantial amount of indebtedness, which requires significant interest payments. As of December 31, 2023, we had one-year credit facilities for an aggregate amount RMB3,715.8 million (US\$523.4 million) from 18 Chinese commercial banks, and we have drawn short-term bank borrowings from the credit facilities in the amount of RMB1,115.7 million (US\$157.1 million). See “Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources.” Our substantial level of indebtedness could have important consequences, including the following:

- we must use a substantial portion of our cash flow from operations to pay interest and principal on our indebtedness, which will reduce funds available to us for other purposes such as working capital, capital expenditures, other general corporate purposes and potential acquisitions;
- our ability to refinance such indebtedness or to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes may be impaired;
- we will be exposed to fluctuations in interest rates and currency exchange rates;
- our leverage may be greater than that of some of our competitors, which may put us at a competitive disadvantage and reduce our flexibility in responding to current and changing industry and financial market conditions;
- we may be more vulnerable to the economic downturns and adverse developments in our business;
- we may be unable to comply with financial and other restrictive covenants in our debt agreements, which could result in an event of default that, if not cured or waived, may result in acceleration of certain of our debt, have an adverse effect on our business and prospects, and force us into bankruptcy or liquidation; and
- in the event of insolvency, liquidation, reorganization, dissolution or other winding up of our business, if there are not sufficient assets remaining to pay all creditors, then all or a portion of the amounts due on our indebtedness then outstanding would remain unpaid.

We may incur substantial additional indebtedness in the future, subject to the restrictions contained in our existing credit facility and the terms of any of our other indebtedness. For example, we may incur additional debt to fund our business and strategic initiatives. If we incur additional debt and other obligations, the risks associated with our substantial leverage and the ability to service such debt would increase.

Our ability to meet expenses, to remain in compliance with our covenants under our debt arrangements and to make future principal and interest payments in respect of our debt arrangements depends on, among other things, our operating performance, competitive developments and financial market conditions, all of which are significantly affected by financial, business, economic and other factors. We are not able to control many of these factors. Accordingly, our cash flow may not be sufficient to allow us to pay principal and interest on our debt and meet our other obligations. If we are unable to obtain funding in a timely manner or on commercially acceptable terms, we may not be able to meet our payment obligations under our indebtedness.

We must comply with certain covenants under the terms of our debt instruments and the failure to do so may put us in default under those instruments.

Some of our debt instruments may include covenants and broad default provisions. These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs in a timely manner and complying with these covenants may require us to curtail some of our operations and growth plans, or seek waivers or consents from our creditors. In addition, any global or regional economic deterioration may cause us to incur significant net losses or force us to assume considerable liabilities, which would adversely impact our ability to comply with the financial and other covenants of our outstanding indebtedness. If our creditors refuse to grant waivers for any non-compliance with these covenants, such non-compliance will constitute an event of default which may accelerate the amounts due under the applicable debt instruments. Some of our debt instruments also contain cross-default clauses, which could enable creditors under our debt instruments to declare an event of default should there be an event of default on our other debt instruments.

Although we are currently in compliance with our existing financial and other covenants under the terms of our debt instruments, we cannot assure you that we will be able to remain in compliance with those covenants in the future. We may not be able to cure future violations or obtain a waiver on a timely basis in order to avoid a default. An event of default under any agreement governing our existing or future debt, if not cured by us or waived by our creditors, could have a material adverse effect on our liquidity and capital resources, financial condition and results of operations. Our business relationships with our creditors may not be sustained, which may adversely affect our business, financial condition and results of operations.

In connection with Cainiao's investment in Baotong Inc., or Baotong, Cainiao has a call option to increase its equity interest in Baotong to 60%, the exercise of which may result in our loss of control over Baotong, which could adversely affect our financial condition and result of operations.

Baotong, one of our consolidated subsidiaries from which we derive a significant amount of revenues, provides warehousing and logistics solutions and holds a significant portion of our assets and operations. On September 30, 2021, we and Baotong entered into a share purchase and subscription agreement with Cainiao Smart Logistics Investment Limited and/or its affiliates, or Cainiao, pursuant to which Cainiao made 30% equity investment in Baotong at a consideration of US\$217.9 million. On the same day, we, Baotong and Cainiao also entered into a business cooperation agreement aiming to further explore and develop fulfillment and e-commerce opportunities. On October 29, 2021, we, Baotong and Cainiao further entered into a shareholders agreement (the “**Shareholders Agreement**”) which was further amended and supplemented on August 18, 2023 (collectively, the “**Shareholders Agreements**”), providing for certain special rights for the shareholders of Baotong. According to Baotong's financial statements, its net profit for the year ended December 31, 2022 was less than the target net profit of 2022, triggering the pre-money valuation adjustment as specified in the Shareholders Agreements. As such, Baotong compensated Cainiao through a combination of cash payment and share transfer of Baotong by us to Cainiao, increasing Cainiao's shareholding in Baotong to 37%.

Pursuant to the Shareholders Agreements, for a period of 12 months (or such longer period as we and Cainiao may agree) starting from July 29, 2024, Cainiao has a call option, subject to further negotiation, to acquire additional shares so that it will own in an aggregate of 60% equity interest of Baotong, according to the terms and conditions set forth under the Shareholders Agreements. If Cainiao exercises its call option, we may lose control in Baotong, and, as a result, we may be unable to consolidate Baotong in our consolidated financial statements, which could materially and adversely affect our financial condition and results of operations.

In addition, pursuant to the Shareholders Agreements among Baotong, Cainiao and us, if certain triggering events occur, Cainiao has the right to require us to redeem its shares at a price equal to the actual investment plus an internal rate of return of 6% per annum. If Cainiao requests us to redeem its shares of Baotong and if we do not have sufficient fund, our business operations and financial condition could be materially and adversely affected. See “Item 7 — Major Shareholders and Related Party Transactions — B. Related Party Transactions — Transactions and Agreements with Alibaba, Cainiao and AJ (Hangzhou) Network Technology Company Limited.”

We may fail to expand effectively to international markets.

We have expanded and plan to continue to expand our business internationally, which may cause our business to be susceptible to international business risks and challenges. International operations are subject to many special risks and challenges that could adversely affect our business, such as compliance with international legal and regulatory requirements and managing fluctuations in currency exchange rates. We cannot assure you that our various international expansion efforts will be completed as planned or achieve the intended results. Any negative impact from our international business efforts could also negatively impact our business, operating results and financial conditions as a whole. In addition, we may face additional competition from local companies in countries other than China. Local companies may have a substantial competitive advantage because of their greater understanding of, and focus on, local customers.

If we fail to manage our accounts receivable effectively or fail to collect our rebates receivable, our results of operations, financial condition and liquidity may be materially and adversely affected.

Under the distribution model, we generally receive funds from the e-commerce platforms within no more than two weeks after online consumers have confirmed receipt of goods. Under the service fee model and consignment model, we normally charge service fees from our brand partners with a credit period of 10 days to four months. As of December 31, 2021, 2022 and 2023, our accounts receivable amounted to RMB2,260.9 million, RMB2,292.7 million and RMB2,184.7 million (US\$307.7 million), respectively. Our accounts receivable turnover days were 86 days, 99 days and 93 days in 2021, 2022 and 2023, respectively. The increase in the accounts receivable turnover days from 2021 to 2022 was due to the increase in the proportion of our revenues generated from services, which generally has longer payment terms, and the decrease in the accounts receivable turnover days from 2022 to 2023 was due to our strengthened capital management of receivables, as well as the shortened payment cycles attributable to Gap Greater China, our newly acquired business in 2023 which primarily engages in retail businesses. The amount and turnover days of our accounts receivable may increase in the future, which will make it more challenging for us to manage our working capital effectively and our results of operations, financial conditions and liquidity may be materially and adversely affected.

In addition, if some brand partners refuse to settle their accounts receivable, we may need to initiate legal proceedings for collection. There is no guarantee that we will finally collect such accounts receivable. For instance, in September 2021, one of our subsidiaries, Baozun Hong Kong Holding Limited, initiated an arbitration proceeding against a distributor in the health care and cosmetics industry for payment default, seeking to recover US\$22.2 million accounts receivable for the products procured by this distributor, plus accrued interest and reimbursements of arbitration fees. As of the date of this annual report, the arbitration proceeding is still ongoing. There is no certainty that the arbitration tribunal will rule in our favor, and even if it does rule in our favor, there is no guarantee that we will be able to fully recover the amount owed. In 2021, we provided an allowance of RMB93.3 million (US\$13.1 million) of accounts receivable in connection with the default of this distributor and did not make additional allowance in 2022 or 2023, respectively. See “Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Legal Proceedings.”

In addition, our brand partners also provide rebates to us under the distribution model, which are determined based on the product purchase volume on a monthly, quarterly or annual basis. As of December 31, 2021, 2022 and 2023, we recorded rebates receivables of RMB288.2 million, RMB239.8 million and RMB197.8 million (US\$27.9 million), respectively. The rebates receivables are settled by offsetting the accounts payable. We cannot assure you that we will be able to collect all rebates receivables in the future. If we fail to collect a substantial portion of our rebates receivables, our results of operations and financial condition would be materially and adversely affected.

If we fail to manage our inventory effectively, our results of operations, financial condition and liquidity may be materially and adversely affected.

We assume inventory ownership under the distribution model and thus are subject to inventory risk. We deploy different strategies to deal with non-seasonal and seasonal demands and make adjustments to our procurement plan in order to minimize the chance of excess unsold inventory and manage our product costs. Demand for products, however, can change significantly between the time inventory is ordered and the date by which we target to sell it. Demand may be affected by seasonality, new product launches, fashion trends, changes in product cycles and pricing, product defects, changes in consumer spending patterns and habits, changes in consumer tastes with respect to our products and other factors. In addition, when we begin selling a new product, it may be difficult to determine appropriate product selection and accurately forecast demand.

Our inventories were RMB1,073.6 million, RMB943.0 million and RMB1,045.1 million (US\$147.2 million) as of December 31, 2021, 2022 and 2023, respectively. The increases in our inventories over these periods reflected the additional inventories required to support our expanded product sales volumes. Our inventory turnover days were 117 days in 2021, 163 days in 2022 and 151 days in 2023. The increase in our inventory turnover days from 2021 to 2022 was due to changes in our product mix with new brands acquired, and the decrease from 2022 to 2023 was due to enhanced inventory management of the Company. Inventory turnover days for a given period are equal to the average inventory balances as of the beginning and the end of the period divided by total cost of products during the period and multiplied by the number of days during the period.

We cannot assure you that we will be able to effectively manage our inventories and product costs. The amount and turnover days of our inventories may increase in the future, which will make it more challenging for us to manage our working capital effectively. If we fail to manage our inventory effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. Our inventory may also be damaged due to natural disasters or accidents, such as fire accidents. In addition, we may be required to lower sale prices in order to reduce inventory level, which may lead to lower margins. Any of the above may materially and adversely affect our results of operations and financial condition.

On the other hand, if we underestimate demand for our products, or if our brand partners under the distribution model fail to supply quality products in a timely manner or if there is any natural disaster or outbreak of pandemic or epidemic that disrupts supply chain, we may experience inventory shortages, which might result in missed sales, diminished brand loyalty and lost revenues, any of which could harm our business and reputation. For example, the recurrence of COVID-19 outbreaks in certain parts of China including Shanghai in 2022, and any other health epidemics that may occur in the future, had resulted in, and may result in, inventory shortages for certain of our products, which had or will have a material and adverse effect on our results of operations and financial condition.

We rely on our ability to enter into marketing and promotional arrangements with online services, search engines, and other websites to drive traffic to the stores we operate and for our other customers. If we are unable to enter into or properly maintain and manage these marketing and promotional arrangements, our ability to generate revenue could be adversely affected.

We have entered into marketing and promotional arrangements with online services, search engines, and other websites to provide content, advertising banners and other links to our brand partners' e-commerce businesses. We expect to rely on these arrangements as significant sources of traffic to our brand partners' e-commerce businesses and to attract new brand partners. We also provide digital marketing services to our other customers. If we are unable to maintain these relationships or enter into new arrangements on acceptable terms, our ability to attract new brand partners and new customers could be harmed. Further, many of the parties with which we may have online advertising arrangements provide advertising services for other marketers of goods. As a result, these parties may be reluctant to enter into or maintain relationships with us. Failure to achieve sufficient traffic or generate sufficient revenue from purchases originating from third parties may limit our brand partners' and our ability to maintain market share and revenue and affect our profitability. Moreover, if we are unable to manage and conduct marketing and promotional activities for our clients cost-effectively, they may turn to other alternatives, reducing our revenues and potentially materially adversely affecting our business and reputation.

We may not be able to respond to rapid changes in channel technologies or requirements.

The e-commerce market is characterized by rapid technological changes and frequent changes in rules, specifications and other requirements for our brand partners to be able to sell their merchandise on particular channels. Our ability to retain and attract brand partners depends in large part on our ability to improve our existing solutions and introduce new solutions that can adapt quickly to the emerging channels, such as Douyin, and these changes in channel technologies. To achieve market acceptance for our solutions, we must effectively anticipate and offer solutions that meet emerging channels and frequently changing channel requirements in a timely manner. If we fail to do so, our ability to renew our contracts with existing brand partners and to increase demand for our solutions will be impaired.

Our investments in innovations and new technologies, which may be significant, may not increase our competitiveness or generate financial returns in the short term, or at all, and we may not be successful in adopting and implementing new technologies, such as artificial intelligence, big data and data securities, to compete effectively. The changes and developments taking place in our industry may also require us to re-evaluate our business model and adopt significant changes to our long-term strategies and business plans. Our failure to innovate and adapt to these changes and developments would have a material adverse effect on our business, financial condition and results of operations. For example, we might not be successful in implementing innovative solutions to help our brand partners devise and execute O2O and new retail strategies to integrate their offline and online channels to provide seamless shopping experience for consumers. Even if we timely innovate and adopt changes in our strategies and plans, we may nevertheless fail to realize the anticipated benefits of such changes or even generate lower levels of revenue as a result.

If we fail to improve and enhance the functionality, performance, reliability, design, security and scalability of our platform in a manner that responds to our brand partners' evolving needs, our business may be adversely affected.

The markets in which we compete are characterized by constant change and innovation and we expect them to continue to evolve rapidly. Our success has been based on our ability to identify and anticipate the needs of our brand partners and design and maintain a platform that provides them with the tools they need to operate their businesses. Our ability to attract new brand partners, retain revenue from existing ones and increase sales to both new and existing ones will depend in large part on our ability to continue to improve and enhance the functionality, performance, reliability, design, security and scalability of our platform. To the extent we are not able to enhance our platform's functionality in order to maintain its utility, enhance our platform's scalability in order to maintain its performance and availability, or improve our support function in order to meet increased demands, our business, operating results and financial condition could be adversely affected.

We may experience difficulties with software development that could delay or prevent the development, introduction or implementation of new solutions and enhancements. Software development involves a significant amount of time for our research and development team, as it can take our developers months to update, code and test new and upgraded solutions and integrate them into our platform. We must also continually update, test and enhance our software platform. For example, our design team spends a significant amount of time and resources incorporating various design enhancements, such as customized colors, fonts, content and other features, into our platform. The continual improvement and enhancement of our platform requires significant investment and we may not have the resources to make such investment. Our improvements and enhancements may not result in our ability to recoup our investments in a timely manner, or at all. We may make significant investments in new solutions or enhancements that may not achieve expected returns. The improvement and enhancement of the functionality, performance, reliability, design, security and scalability of our platform is expensive and complex, and to the extent we are not able to perform it in a manner that responds to our brand partners' evolving needs, our business, operating results and financial condition will be adversely affected.

If we and our brand partners fail to anticipate changes in consumers' buying preferences and adjust product offering and merchandising of the stores that we operate accordingly, our results of operation may be materially and adversely impacted.

Our success depends, in part, upon our ability and our brand partners' ability to anticipate and respond to consumer trends with respect to products sold through the stores that we operate. Constantly changing consumer preferences have affected and will continue to affect the online retail industry. We must stay abreast of emerging consumer preferences and anticipate product trends that will appeal to existing and potential consumers. Our dedicated online store operation teams work closely with our brand partners to manage inventory and site content of the brand stores that we operate. In order to be successful, we and our brand partners must accurately predict consumers' tastes and avoid overstocking or understocking products. If we or our brand partners fail to identify and respond to changes in merchandising and consumer preferences, sales on our brand partners' e-commerce businesses could suffer and we or our brand partners could be required to mark down unsold inventory, which could negatively impact our financial results.

If we fail to gauge apparel trends and changing consumer preferences, our sales from brand management business may be adversely affected.

Our success is largely dependent upon our ability to gauge the tastes of our customers and to provide merchandise that satisfies customer demand in a timely manner. However, lead times for many of our design and purchasing decisions may make it more difficult for us to respond rapidly to new or changing apparel trends or consumer acceptance of our products. Transportation shortages, factory closures, labor shortages, port congestion and other supply chain disruptions may lead to prolonged delays in receiving inventory. The apparel retail business fluctuates according to changes in consumer preferences, dictated in part by apparel trends and season. To the extent we misjudge the market for our merchandise or the products suitable for local markets, or fail to execute trends and deliver products to the market as timely as our competitors, our sales from brand management business may be adversely affected, and the markdowns required to move the resulting excess inventory will adversely affect our margins and results of operations.

Our plans to innovate, expand our product offerings and successfully implement our growth strategies may not be successful, and implementation of these plans may divert our operational, managerial and administrative resources, which could harm our competitive position and reduce our revenue and profitability.

Our future success depends, in large part, on our ability to implement our growth strategies, including expanding our brands' product offerings to capture additional market share, continuing to engage in consumer acquisition and retention efforts that drive long-term consumer and wholesale partner relationships and continuing to grow our business.

If the ramp up of operations for newly-added brand partners does not meet our expectations, our results of operation and financial condition may be materially and adversely impacted.

We have been accelerating acquisition of new brand partners since 2018, in an effort to drive sustainable growth momentum. As of December 31, 2023, we provided e-commerce solutions to more than 450 brand partners. Newly added brand partners typically require a ramping up period before they can fully utilize our services. If the ramp up of operations for newly added brand partners takes longer time than we expected, or the revenues we receive from newly added brands do not meet our expectations, our results of operation and financial condition may be materially and adversely impacted.

Any deficiencies in China's telecommunication infrastructure could impair our ability to provide e-commerce solutions to our brand partners and materially and adversely affect our results of operations.

Our business depends on the performance and reliability of the telecommunication infrastructure in China. The availability of our technology platform depends on telecommunications carriers and other third-party providers for communications and storage capacity, including bandwidth and server storage, among other things. Almost all access to the internet and mobile network is maintained through state-owned telecommunication carriers under administrative control, and we obtain access to end-user networks operated by such telecommunications carriers and service providers to present our internet platform to consumers. We have experienced service interruptions in the past, which were typically caused by service interruptions at the underlying external telecommunications service providers, such as the internet data centers and broadband carriers from which we lease services. Service interruptions prevent brand partners from utilizing our technology platform, and frequent or extended interruptions could frustrate consumers and discourage them from attempting to place orders, which could cause us and our brand partners to lose consumers and adversely affect our results of operations.

Software failures or human errors could cause our solutions to oversell our brand partners' inventory or misprice their offerings, which would hurt our reputation and reduce demand for our services and solutions.

Some of our brand partners rely on our solutions to automate the allocation of their inventories simultaneously across multiple online channels, as well as to ensure that their sales comply with the policies of each channel. In many instances, our personnel operate our solutions on behalf of our brand partners. In the event that our solutions do not function properly, or if there are human errors on the part of our service staff, our brand partners might inadvertently sell more inventories than they actually have in stock or make sales that violate channel policies. Overselling their inventories could force our brand partners to cancel orders at rates that violate channel policies. Errors in our software or human error could cause transactions to be incorrectly processed that would cause GMV and our fees to be overstated. We have experienced rare instances of such errors in the past and might experience similar occurrences in the future which could reduce demand for our solutions and hurt our business reputation. Brand partners could also seek recourse against us in these cases.

Any interruption in our fulfillment operations for an extended period may have an adverse impact on our business and financial condition.

Our ability to process and fulfill orders accurately depends on the smooth operation of our fulfillment and warehousing network. Our fulfillment and logistics infrastructure may be vulnerable to damage caused by fire, flood, power outage, telecommunications failure, break-ins, earthquake, human error and other events. If any of our fulfillment and logistics infrastructures were rendered incapable of operations, then we may be unable to fulfill any orders from the affected infrastructure. We do not carry business interruption insurance to protect us from natural disasters and force majeure risks, and the occurrence of any of the foregoing risks could have a material adverse effect on our business, prospects, financial condition and results of operations.

We depend on third-party delivery service providers to deliver products to consumers, and if they fail to provide reliable delivery services our business and reputation may be materially and adversely affected.

We rely on third-party delivery service providers to deliver products to consumers, and any major interruptions to or failures in these third parties' delivery services could prevent the timely or successful delivery of products. These interruptions may be due to unforeseen events that are beyond our control or the control of these third-party delivery companies, such as inclement weather, natural disasters, transportation interruptions, fire incidents, labor unrest or shortage, pandemics or epidemics. If products are not delivered on time or are delivered in a damaged state, consumers may refuse to accept products and may claim refund from us or our brand partners, and brand partners and consumers may have less confidence in our services. As a result, we may lose brand partners, and our financial condition and reputation could suffer.

Failure to effectively manage our warehouse capacity and utilization could have a material adverse effect on our business and results of operation.

In addition to the warehouses built by us, we also acquire certain warehouses through acquisition. As of December 31, 2023, we directly operated 36 warehouses with an aggregate gross floor area of over 938,000 square meters in ten strategic cities. Managing these facilities is complex and our successful management of warehouse capacity and utilization is important to our profitability. Furthermore, we used a number of warehouses operated by third parties, which we may not be able to effectively manage or utilize. If we under-utilize our warehouse facilities, our costs will rise as a percentage of revenue, and if we have insufficient warehouse capacity, our revenue may not meet expectations. There can be no assurance that failure to manage our warehouse capacity and utilization will not have a material adverse effect on our business and results of operation.

We are subject to third-party payment processing related risks.

We accept payments using a variety of methods, including online payments with credit cards and debit cards issued by major banks in China, payment through third-party online payment platforms such as Alipay and WeChat Pay, and payment on delivery. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower our profitability. We may also be subject to fraud and other illegal activities in connection with the various payment methods we offer, including online payment and payment on delivery options. We are also subject to various rules, regulations and requirements, regulatory or otherwise, governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from consumers, process electronic funds transfers or facilitate other types of online payments, and our business, financial condition and results of operations could be materially and adversely affected.

If we are unable to provide high-quality customer service, our business and results of operations may be materially and adversely affected.

We depend on our online customer service representatives in our customer service center to provide live assistance to online shoppers. If our online customer service representatives fail to satisfy the individual needs of consumers, our brand partners' sales could be negatively affected, and we may lose potential or existing brand partners, which could have a material adverse effect on our business, financial condition and results of operations. In addition, our business generates and processes a large amount of data, and the improper use or disclosure of such data could harm our reputation as well as have a material adverse effect on our business and prospects.

If we are unable to maintain our reputation and brand image, our business, reputation and results of operations may be materially and adversely affected.

Our brands have wide recognition, and our success has been due in large part to our ability to maintain, enhance and protect our brand image and reputation and our customers' connection to our brands. Our continued success depends in part on our ability to adapt to a rapidly changing media environment, including our increasing reliance on social media and online dissemination of advertising campaigns. Even if we react appropriately to negative posts or comments about us and/or our brands on social media and online, our customers' perception of our brand image and our reputation could be negatively impacted. Customer sentiment could also be shaped by our partnerships with artists, athletes and other public figures. Failure to maintain, enhance and protect our brand image could adversely affect our business and results of operations.

Negative publicity, including negative internet postings, about us, our Baozun brand, management, brand partners and product offerings may have a material adverse effect on our business, reputation and the trading price of our ADSs and/or Class A ordinary shares.

Negative publicity about us, our Baozun brand, management, brand partners and product offerings may arise from time to time. Negative comments about the stores operated by us, products offered in such stores, our business operation and management may appear in internet postings and other media sources from time to time and we cannot assure you that other types of negative publicity of a more serious nature will not arise in the future. For example, if our customer service representatives fail to satisfy the individual needs of our consumers, our consumers may become disgruntled and disseminate negative comments about our product offerings and services. In addition, our brand partners may also be subject to negative publicity for various reasons, such as consumers' complaints about the quality of their products and related services or other public relation incidents of such brand partners, which may adversely affect the sales of products of these brand partners in the stores operated by us and indirectly affect our reputation.

Moreover, negative publicity about other online retailers or e-commerce service providers in China may arise from time to time and cause consumers to lose confidence in the products and services we offer. Any such negative publicity, regardless of veracity, may have a material adverse effect on our business and financial results, our reputation and the trading price of our ADSs and/or Class A ordinary shares.

If counterfeit products are sold in the stores we operate or the platform we operated, our reputation and financial results could be materially and adversely affected.

We represent reputable brands, and we source goods from our brand partners directly or through third party procurement agents authorized by our brand partners. However, their measures of safeguarding against counterfeit products sold through e-commerce may not be adequate. Although we have indemnity clauses in most of our contracts with our brand partners, sales could decline and we may suffer reputational harm. We may be subject to sanctions under applicable laws and regulations if we are deemed to have participated or assisted in infringement activities associated with counterfeit goods, which may include injunctions to cease infringing activities, rectification, compensation, administrative penalties and even criminal liability, depending on the gravity of such misconduct. Furthermore, counterfeit products may be defective or inferior in quality as compared to authentic products and may pose safety risks to consumers. If consumers are injured by counterfeit products sold through the stores we operate or the platform we operated, we may be subject to lawsuits, severe administrative penalties and criminal liability. We believe our reputation is extremely important to our success and our competitive position. The discovery of counterfeit products sold through the stores we operate or the platform we operated may severely damage our reputation among brand partners, and they may refrain from using our services in the future, which would materially and adversely affect our business operations and financial results.

Any lack of requisite approvals, licenses or permits applicable to our business or failure to comply with PRC laws and regulations may have a material and adverse impact on our business, financial condition and results of operations.

Our business is subject to supervision and regulation by relevant PRC government authorities, including without limitation the MOFCOM, the MIIT, the SAMR and National Medical Products Administration. These government authorities promulgate and enforce regulations that cover many aspects of online retailing and distribution of products such as food and medical devices, including scope of permitted business activities, licenses and permits for business operation, and restriction on foreign investments. Meanwhile, the brand partners we partner with are also obliged to hold licenses and meet regulatory requirements in order to sell products themselves or through our e-commerce solutions. While we currently hold all material licenses and permits required for our business operations, we cannot assure you that we will be able to renew these licenses and permits upon their expiration or to expand the current business scope of these licenses and permits when required, obtain any license or permit that is in application, or obtain new licenses or permits in the future as a result of our business expansion, change in our business operations or change in laws and regulations applicable to us.

As e-commerce business via internet and mobile network is still evolving in China, new laws and regulations may be adopted from time to time, and substantial uncertainties exist regarding interpretation and implementation of PRC laws and regulations applicable to our business operations. We cannot assure you that our current business activities will not be found in violation of any future laws and regulations or any of the laws and regulations currently in effect due to future changes in the relevant authorities' interpretation of these laws and regulations. For example, the MIIT released the new Classified Catalog of Telecommunications Services, or the Telecommunication Catalog, on December 28, 2015, which came into effect on March 1, 2016 and later amended on June 6, 2019 and specifies that information services provided through mobile networks are recognized as internet information services. According to relevant MIIT rules, service providers, like operators of mobile application stores, will be required to meet certain qualifications, including obtaining a value-added telecommunication license, or a VAT License, covering internet information services rendered through mobile network, or an ICP License. In addition, according to the Telecommunication Catalog and other MIIT rules, operating a marketplace platform that connects sellers and buyers is categorized as online data processing and transaction processing services, and therefore such service providers are required to obtain a VAT License covering online data processing and transaction processing services. Our VIE, Shanghai Zunyi has obtained a VAT License covering domestic call center services and internet information services, and we also currently hold a VAT License for online data processing and transaction processing business (operational e-commerce) through our PRC subsidiary, Shanghai Baozun E-Commerce Limited, or Shanghai Baozun. With the expansion of our business in the future, we may be required to obtain other required licenses or expand the current scope of the licenses we hold to cover internet information services rendered through mobile networks or to cover other scopes such as online data processing and transaction processing service (in addition to operational e-commerce) that may be required by the government authorities from time to time.

If we fail to adapt to any new regulatory requirement or any competent government authority considers that we operate our business operation without any requisite license, permit or approval, or otherwise fail to comply with applicable regulatory requirements, we may be subject to administrative actions and penalties, including fines, confiscation of our incomes, revocation of our licenses or permits, or, in severe cases, cessation of certain business. In addition, if our brand partners are found by government authorities to have operated their business through us without requisite approvals, licenses or permits or otherwise to be in violation of applicable laws and regulations, they may be ordered to take rectification actions. Any of these actions may have a material and adverse effect on our business, financial condition and results of operations.

We cannot rule out being named as a defendant in a future shareholder class action lawsuit that could have a material adverse impact on our business, financial condition, results of operation, cash flows, reputation, and the prices and trading volumes of our ADSs and/or Class A ordinary shares.

As noted in “Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Legal Proceedings,” we were previously the subject of a shareholder class action. While the lead counsel in that case has filed a notice of voluntary dismissal, the consolidated action has been dismissed in its entirety without prejudice, we cannot rule out the possibility that additional claims or lawsuits may be filed in the future. Any future litigation that may be brought against us or our current or former directors and officers, could be time-consuming, result in significant expense and divert the attention and resources of our management and other key employees. An unfavorable outcome in any future litigation could exceed coverage provided under potentially applicable insurance policies, which is limited. In addition, although we have obtained directors’ and officers’ liability insurance, the insurance coverage may not be adequate to cover our obligations to indemnify our directors and officers, fund a settlement of litigation in excess of insurance coverage or pay an adverse judgment in litigation. Further, we could be required to pay damages or additional penalties or have other remedies imposed against us, or our current or former directors or officers. Any such unfavorable outcome could have a material adverse effect on our business, financial condition, results of operations, cash flows, our reputation, and the prices and trading volumes of our ADSs and/or Class A ordinary shares.

Our leased property interests and title with respect to certain land and buildings we have acquired or may acquire may be defective and our right to lease and use the properties affected by such defects may be challenged, or we may fail to extend or renew our current leases or locate desirable alternatives for our facilities on commercially acceptable terms, which could cause significant disruption to our business.

We leased 28 premises in mainland China, Hong Kong, Taiwan, Singapore, Kuala Lumpur, Makati and Paris, for our offices, customer service center and warehouses as of December 31, 2023. Some of the lessors of these leases have not provided us with sufficient documents to prove their ownership of the premises or their rights to lease the premises to us for our intended use. We may not be able to maintain such leases if the lessors are not legal owners of the properties or do not have competent authorizations from the legal owners of the properties or have not obtained requisite governmental approvals in respect of our leases. In addition, we cannot assure you that we will be able to successfully extend or renew our leases upon expiration of the current term or locate desirable alternatives for our facilities on commercially reasonable terms or at all, and may therefore be forced to relocate our affected operations. A substantial portion of our leasehold interests in leased properties have not been registered with the relevant PRC government authorities as required by the PRC law, which may expose us to potential fines if we fail to remediate after receiving any notice from the relevant PRC government authorities.

In addition, we may acquire certain land use right and titles in the relevant buildings for business operation purposes from time to time. For example, we have acquired the land use rights and titles to the buildings located in Suzhou, China. Our use of the land and buildings we acquired may not be consistent with their approved usage, and some approvals, licenses and permits may be yet to be obtained for the construction and continuous use of such buildings. We cannot assure you that we will be able to successfully remedy the defects or obtain all the requisite approvals, licenses or permits. These could disrupt our operations and result in significant relocation expenses, which could adversely affect our business, financial condition and results of operations. In addition, we compete with other businesses for premises at certain locations or of certain sizes. As a result, even if we could extend or renew our leases, rental payments may significantly increase as a result of the high demand for the leased properties. In addition, we may not be able to locate desirable alternative sites for our facilities as our business continues to grow and failure in relocating our affected operations could adversely affect our business and operations.

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

We sell products manufactured by third parties, some of which may be defective. If any product that we sell were to cause personal injury or injury to property, the injured party or parties could bring claims against us as the retailer of the product. These claims will not be covered by insurance as we do not maintain any product liability insurance. Similarly, we could be subject to claims that consumers of the online stores operated by us were harmed due to their reliance on our product information, product selection guides, advice or instructions. If a successful claim were brought against us, it could adversely affect our business. We may have the right under applicable laws, rules and regulations to recover from the relevant brand partners', manufacturers' or distributors' compensation that we are required to make to consumers or end users in connection with a product liability, personal injury or a similar claim, if such relevant party is found responsible. However, there can be no assurance that we will be able to recover all or any amounts from these parties. We have historically encountered some call back of the products sold to consumers through our online store due to defective products, which has caused adverse effect on our operations. Any future product liability claim or large scale of call back due to defective products discovered, regardless of its merit or success, could result in the expenditure of funds and management time, adverse publicity and reputational harm and could have a negative impact on our business and financial condition.

We depend on key management as well as experienced and capable personnel generally, and any failure to attract, motivate and retain our staff could severely hinder our ability to maintain and grow our business.

Our future success is significantly dependent upon the continued service of our key executives and other key employees. If we lose the services of any member of management or key personnel, we may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new staff, which could severely disrupt our business and growth.

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

If we are unable to recruit, train and retain qualified personnel or sufficient workforce while controlling our labor costs, our business may be materially and adversely affected.

Our future success depends, to a significant extent, on our ability to recruit, train and retain qualified personnel, particularly technical, fulfillment, marketing and other operational personnel with experience in the e-commerce industry. Since our industry is characterized by high demand and intense competition for talent and labor, we can provide no assurance that we will be able to attract or retain qualified staff or other highly skilled employees that we will need to achieve our strategic objectives. Particularly, our fulfillment infrastructure is labor intensive and requires a substantial number of blue-collar workers, and these positions tend to have higher than average turnover. We may need to but may be unable to hire additional employees in connection with the strengthening of our fulfillment capabilities.

We have observed an overall tightening of the labor market and an emerging trend of shortage of labor supply. Failure to obtain stable and dedicated warehousing, delivery and other labor support may lead to underperformance of these functions and cause disruption to our business. Labor costs in China have increased with China's economic development, particularly in the large cities where we operate our fulfillment centers and more generally in the urban areas where we maintain our delivery and pickup stations. It is also costly to employ qualified personnel who have the knowledge and experience of working with leading global brands. In addition, our ability to train and integrate new employees into our operations may also be limited and may not meet the demand for our business growth on a timely fashion, or at all, and rapid expansion may impair our ability to maintain our corporate culture.

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 currently use workers dispatched by third-party labor service agents to provide customer service and perform fulfillment function. According to the Interim Provisions on Labor Dispatch, or the Labor Dispatch Provisions, issued in January 2014 and became effective on March 1, 2014, the number of dispatched contract workers hired by an employer shall not exceed 10% of the total number of its work force. In addition, under the Labor Contract Law amended on December 28, 2012, labor dispatch is only allowed to apply to provisional, auxiliary or substitutive positions. As such, we may need to adjust our staffing arrangements which may result in an increase in our labor cost. We cannot assure you that we have complied or will be able to comply with all the above provisions and laws related to labor dispatch.

As of the date of this annual report, we have not received any warning or notice of potential negative action by relevant labor authorities regarding our labor dispatch arrangement. However, if we are found to be in violation of the rules regulating dispatched contract workers, we may be ordered to rectify the noncompliance by entering into written employment contracts with our dispatched contract workers, and if we fail to rectify within the time period specified by the labor authority, we may be subject to a penalty ranging from RMB5,000 (US\$704.2) to RMB10,000 (US\$1,408.5) per dispatched worker.

Our business generates and processes a large amount of data, and the improper storage, use or disclosure of such data could harm our reputation as well as have a material adverse effect on our business and prospects.

Our business generates and processes a large quantity of personal, transaction, demographic and behavioral data. We face risks inherent in handling and protecting large volumes of data. In particular, we face challenges relating to data derived from transactions and other activities on our platform, including:

- protecting data in and hosted on our system, including against attacks on our system by outside parties or fraudulent behavior or improper use by our employees;
- addressing data privacy, security and other concerns; and
- complying with applicable laws, rules and regulations relating to the collection, use, disclosure or security of personal information, including any requests from regulatory and government authorities relating to such data.

Significant capital and other resources may be required to protect against information security breaches or to alleviate problems caused by such breaches or to comply with our privacy policies or privacy-related legal obligations. The resources required may increase over time as the methods used by hackers and others engaged in online criminal activities are increasingly sophisticated and constantly evolving. Any failure or perceived failure by us to prevent information security breaches or to comply with privacy policies or privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other customer data, could cause our consumers to lose trust in us and could expose us to legal claims. Any perception by the public that online transactions or the privacy of user information are becoming increasingly unsafe or vulnerable to attacks could inhibit the growth of online retail and other online services generally.

The PRC regulatory and enforcement regime with regard to data security and data protection is evolving. On July 1, 2015, the National People's Congress Standing Committee promulgated the National Security Law, or the New National Security Law, which took effect on the same date and replaced the former National Security Law promulgated in 1993. The New National Security Law covers various types of national security including technology security and information security. According to the New National Security Law, the state shall ensure that the information system and data in important areas are secure and controllable. In addition, according to the New National Security Law, the state shall establish national security review and supervision institutions and mechanisms, and conduct national security reviews of key technologies and IT products and services that affect or may affect national security. In particular, we are legally obligated under the New National Security Law to safeguard national security by, for example, providing evidence related to activities endangering national security, providing convenience and assistance for national security work, and providing necessary support and assistance for national security institutions, public security institutions as well as military institutions. As such, we may have to provide data to PRC government authorities and military institutions for compliance with the New National Security Law, which may increase our expenses and subject us to negative publicity that could harm our reputation with users and negatively affect the trading price of our ADSs and/or Class A ordinary shares. In addition, the Data Security Law provides a national security review procedure for those data activities that may affect national security, and imposes export restrictions on certain data and information. There are uncertainties on how the New National Security Law will be implemented in practice. PRC regulators, including the National People's Congress Standing Committee, the MIIT and the CAC, have been increasingly focused on regulation in the areas of data security and data protection. For example, the National People's Congress Standing Committee promulgated the Cybersecurity Law on November 7, 2016, which became effective on June 1, 2017, and strengthens the administration on cyber security. See " - Substantial uncertainties exist with respect to the PRC laws and regulations relating to cybersecurity and network data security and the impact it may have on our business operations." In addition, on June 10, 2021, the National People's Congress Standing Committee promulgated the Data Security Law, which took effect in September 2021. The Data Security Law sets forth data security and privacy related compliance obligations on entities and individuals carrying out data related activities. The Data Security Law also introduces a data classification and layered protection system based on the importance of data and the degree of impact on national security, public interests or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked or illegally acquired or used. We expect that these areas will receive greater attention and focus from regulators, as well as attract public scrutiny and attention going forward. This greater attention, scrutiny and enforcement, including more frequent inspections, could increase our compliance costs and, subject us to heightened risks and challenges associated with data security and protection. If we are unable to manage these risks, our reputation and results of operations could be materially and adversely affected.

As we expand our operations, we will be subject to additional laws in other jurisdictions where our brand partners, consumers and other customers are located, such as Hong Kong, Taiwan, Korea and the United States. The laws, rules and regulations of other jurisdictions may be at a more mature stage of development, be more comprehensive and nuanced in their scope, and impose more stringent or conflicting requirements and penalties than those in China, compliance with which could require significant resources and costs. Any failure, or perceived failure, by us to comply with our privacy policies or with any regulatory requirements or privacy protection-related laws, rules and regulations could result in proceedings or actions against us by governmental entities or others. These proceedings or actions could subject us to significant penalties and negative publicity, require us to change our business practices, increase our costs and severely disrupt our business.

Substantial uncertainties exist with respect to the PRC laws and regulations relating to cybersecurity and network data security and the impact it may have on our business operations.

China's Cybersecurity Law, which took effect in 2017, requires network operators in the PRC to take actions to prevent security attacks and data loss, including data classification and backup and encryption. The Cybersecurity Law specifies requirements on user information protection applicable to network operators, who are prohibited from disclosing without permission or selling individual information with limited exceptions. When network operators become aware of any information that is prohibited by laws and administrative regulations, they are required to immediately cease transmission of such information, and take measures such as deletion of relevant information to prevent its dissemination. Operators must maintain a record of these incidents when they occur and report them to the relevant authorities, who may also request for such reports. Where any prohibited information comes from outside the territory of China, the authorities may additionally request that all relevant institutions take measures to stop the flow of such prohibited information.

We may be deemed a "network operator" and thus subject to the requirements of the Cybersecurity Law. There remains high uncertainty in the interpretation and enforcement of the law. In particular, due to lack of details on the implementation of the Cybersecurity Law, we cannot assure you that we would be able to comply with the requirements in a timely manner. Failure to comply with the requirements may lead to fines, revocation of business permits or licenses and other sanctions.

Finally, we procure equipment or software for storage, encryption and decryption from time to time. It remains unclear whether such equipment or software will fall into the category of the so-called “critical network equipment” or “dedicated network security products” due to lack of criteria or standards in the Cybersecurity Law. As such, we cannot assure you that the equipment and software we have procured or may procure in the future comply with the requirements, and we may incur additional costs to comply with the requirements.

In addition, on November 14, 2021, the Regulations on the Network Data Security (Draft for Comments), or the Network Data Security Draft Regulations, was proposed by the CAC for public comments until December 13, 2021, which applies to activities relating to the use of networks to carry out data processing activities within the territory of the PRC. The Network Data Security Draft Regulations set out general guidelines, protection of personal information, security of important data, security management of cross-border data transfer, obligations of internet platform operators, supervision and management, and legal liabilities. In accordance with the Network Data Security Draft Regulations, data processors shall apply for a cybersecurity review for the following activities: (i) merger, reorganization or division of internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests to the extent that affects or may affect national security; (ii) listing abroad of data processors which process over one million users’ personal information; (iii) listing in Hong Kong which affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. Besides, data processors that are listed overseas shall carry out an annual data security assessment. As of the date of this annual report, there is no definite timetable as to when the Network Data Security Draft Regulation will be enacted.

On December 28, 2021, the CAC, and other twelve PRC regulatory authorities jointly revised and promulgated the Measures for Cyber Security Review, which came into effect on February 15, 2022 and replace the prior Measures for Cyber Security Review promulgated on April 13, 2020. The Measures for Cyber Security Review provides that, among others, (i) the purchase of cyber products and services by critical information infrastructure operators and the network platform operators engaging in data processing activities that affects or may affect national security should be subject to the cybersecurity review by the Cybersecurity Review Office, the department which is responsible for the implementation of cybersecurity review under the CAC; (ii) network platform operators with personal information data of more than one million users are obliged to apply for a cybersecurity review by the Cybersecurity Review Office before listing abroad; and (iii) relevant governmental authorities in the PRC may initiate cybersecurity review if they determine an internet platform operator’s network products or services or data processing activities affect or may affect national security.

On July 7, 2022, the CAC adopted the Measures for the Security Assessment of Data Exit, which took into effect on September 1, 2022 and stipulates that data processors who provide overseas the personal information and important data collected and generated during operations within the PRC shall be subject to security assessment by the CAC. Specifically speaking, if the data processor provides data overseas and meets one of the following circumstances, it shall declare the security assessment: (i) personal information collected and generated by operators of critical information infrastructure; (ii) the data contains important data; (iii) personal information processors who have processed personal information of one million people provide personal information abroad; (iv) accumulatively provided personal information of more than one hundred thousand people or sensitive personal information of more than ten thousand people abroad since January 1 of the previous year; and (v) other circumstances as specified by the CAC. The assessment results of the data exit are valid for two years.

Based on the facts that the Measures for Cyber Security Review, the Network Data Security Draft Regulations and the Measures for the Security Assessment of Data Exit were newly adopted or have not been formally adopted and are still subject to further guidance, we cannot assure you that we would be able to comply with the requirements in a timely manner. Failure to comply with the requirements may lead to fines, revocation of business permits or licenses and other sanctions.

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

We rely on a combination of trademark, fair trade practice, patent, copyright and trade secret protection laws in China and other jurisdictions, as well as confidentiality procedures and contractual provisions, to protect our intellectual property rights. We also enter into confidentiality agreements with our employees and any third parties who may access our proprietary information, and we rigorously control access to our proprietary technology and information.

Intellectual property protection may not be sufficient in China or other countries in which we operate. Confidentiality agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in China or elsewhere. In addition, policing any unauthorized use of our intellectual property is difficult, time-consuming and costly and the steps we have taken may be inadequate to prevent the misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. We can provide no assurance that we will prevail in such litigation. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations. Under the Foreign Investment Law promulgated by the National People's Congress on March 15, 2019, which became effective on January 1, 2020, the PRC government encourages technology cooperation on the basis of free will and business rules in the process of foreign investment; no administrative agency or its employee may force the transfer of any technology by administrative means.

We may be accused of infringing intellectual property rights of third parties and violating content restrictions of relevant laws.

Third parties may claim that the technology or content used in our operation of online stores or our service offerings infringe upon their intellectual property rights. We have been in the past subject to non-material legal proceedings and claims relating to infringement of the intellectual property rights of others. The possibility of intellectual property claims against us increases as we continue to grow, particularly internationally. Such claims, whether or not having merit, may result in our expenditure of significant financial and management resources, injunctions against us or payment of damages. We may need to obtain licenses from third parties who allege that we have infringed their rights, but such licenses may not be available on terms acceptable to us or at all. These risks have been amplified by the increase in the number of third parties whose sole or primary business is to assert such claims. In addition, we have registered or are in the process of registering some marks we used for our business but some of our applications have been or may be rejected by the governmental authority. As some third parties have already registered or may register the trademarks which are similar to the marks we used in our business, infringement claims may be asserted against us, and we cannot assure you that a government authority or a court will hold the view that such similarity will not cause confusion in the market. In this case, we may be required to explore the possibility of acquiring these trademarks from, or entering into exclusive licensing agreements with the third parties, which will cause us to incur additional costs.

China has enacted laws and regulations governing internet access and the distribution of products, services, news, information, audio-video programs and other content through the internet. The PRC government has prohibited the distribution of information through the internet that it deems to be in violation of PRC laws and regulations. If any of the information disseminated through the online stores operated by us were deemed by the PRC government to violate any content restrictions, we would not be able to continue to display such content and could become subject to penalties, including confiscation of income, fines, suspension of business and revocation of required licenses, which could materially and adversely affect our business, financial condition and results of operations.

The outcome of any claims, investigations and proceedings is inherently uncertain, and in any event defending against these claims could be both costly and time-consuming, and could significantly divert the efforts and resources of our management and other personnel. An adverse determination in any such litigation or proceedings could cause us to pay damages, as well as legal and other costs, limit our ability to conduct business or require us to change the manner in which we operate.

Our ability to raise capital in the future may be limited, and our failure to raise capital when needed could prevent us from growing.

We may in the future be required to raise capital through public or private financing or other arrangements. Such financing may not be available on acceptable terms, or at all, and our failure to raise capital when needed could harm our business. Additional equity or equity linked financing may dilute the interests of our shareholders, and debt financing, if available, may involve restrictive covenants and could restrict our operational flexibility and reduce our profitability. Our ability to obtain additional financing in the future is subject to many uncertainties, including our future financial condition, results of operations, cash flows, trading price of our ADSs and/or Class A ordinary shares, liquidity of international capital and lending markets and PRC governmental regulations over foreign investment and cross-border financing and the Internet industry in the PRC. For example, pursuant to the Administrative Measures for Examination and Registration of Medium and Long-term Foreign Debts of Enterprises (“Circular 56”) promulgated by the National Development and Reform Commission of China, or the NDRC on January 5, 2023, which came into force on February 10, 2023, before the issuance of foreign loans, enterprises shall first apply to and obtain from NDRC the Certificate of Examination and registration of Foreign Debts Borrowed by Enterprises and shall report the information on the issuance to NDRC within 10 business days after completion of each issuance. The term “foreign loan” shall mean RMB-denominated or foreign currency-denominated debt instruments with a maturity of more than one year which are issued overseas by domestic enterprises and their controlled overseas enterprises or branches and for which the principal and interest are repaid as agreed, including senior bonds, perpetual bonds, capital bonds, medium-term notes, convertible bonds, exchangeable bonds, finance leases, and so forth. In February 2023, NDRC circulated the Guide to the Registration of Foreign Debt Issued by Enterprises on its official website, according to which, domestic companies (and their controlled overseas companies or branches) who borrowed from foreign companies (including overseas shareholders) a loan for more than one year need to apply to NDRC. However, NDRC has not issued any other further explanation for the implementation of Circular 56. Our issuance of foreign debt may be subject to these requirements. If we cannot raise funds on acceptable terms, we may not be able to grow our business or respond to competitive pressures.

We may not have sufficient insurance coverage to fully cover our business risks, which could expose us to significant costs and business disruption.

We have obtained insurance to cover certain potential risks, such as property insurance covering our inventory inside our self-operated warehouses and fixed assets such as equipment, furniture and office facilities. However, insurance companies in China offer limited business insurance products. As a result, we may not be able to acquire any insurance for certain types of risks such as business liability or service disruption insurance for our operations in China, and our coverage may not be adequate to compensate for all losses that may occur, particularly with respect to loss of business or operations. Except for a cyber information security insurance policy we have purchased that may cover income losses or other related losses suffered by certain of our subsidiaries due to service interruption caused by any cyber security or privacy events, we do not maintain business interruption insurance or product liability insurance, nor do we maintain key-man life insurance. This could leave us exposed to potential claims and losses. In addition, our third-party service providers, including third-party warehousing service providers, may fail to purchase insurance or maintain effective insurance. Even if we are successful in our claims against third-party service providers when certain accidents occurred, such third-party service providers may not be able to fully, or at all, pay the damages resulting from such accidents. Any business disruption, litigation, regulatory action, outbreak of epidemic disease, accidents, or natural disaster could also expose us to substantial costs and diversion of resources. We cannot assure you that our insurance coverage or our third-party service providers’ insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

The financial soundness of financial institutions with which we place our cash and cash equivalents could affect our financial conditions, business and result of operations.

We place our cash and cash equivalents with financial institutions, which include (i) banks incorporated in China, which are all authorized to operate banking business by China Banking Regulatory Commission and other relevant agencies, and (ii) overseas financial institutions regulated by competent regulatory authorities in their relevant jurisdictions such as Hong Kong. On February 17, 2015, the PRC State Council, or the State Council, promulgated the Deposit Insurance Regulation, which requires banks registered within China to provide deposit insurance to depositors. However, pursuant to the Deposit Insurance Regulation, the insurance provided by the banks has a coverage limit of RMB500,000 (US\$70,423.5). Any deterioration of financial soundness of these banks or financial institutions or any failure of such deposit insurance to fully cover our bank deposits would cause credit risks to our cash and cash equivalents placed with them and thus could have a material adverse effect on our financial conditions, business and results of operations.

We are subject to changing laws and regulations regarding regulatory matters, corporate governance and public disclosure that have increased both our costs and the risk of non-compliance.

We are subject to rules and regulations by various governing bodies, including, for example, the Securities and Exchange Commission, which is charged with the protection of investors and the oversight of companies whose securities are publicly traded, the Securities and Futures Commission of Hong Kong, which is in charge of regulating Hong Kong's securities and futures markets, and the various regulatory authorities in mainland China, Hong Kong and the Cayman Islands, and to new and evolving regulatory measures under applicable laws. Our efforts to comply with new and changing laws and regulations have resulted in and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalty and our business may be harmed.

The new PRC Company Law, which will take effect from July 1, 2024, will affect many critical aspects of corporate establishment, operations and governance. Shareholders of a company must fully pay in their subscribed registered capital within five years from the date of establishment of this company, and companies established before July 1, 2024 shall gradually adjust their capital contribution to meet this new requirement. This law also imposes greater personal liability for directors, supervisors and management. Violation of the PRC Company Law could subject us to sanctions and penalties, including fines, orders to correct and public announcements of violations. Uncertainties exist with respect to the interpretation and implementation of the PRC Company Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

A severe or prolonged downturn in the global or Chinese economy or tensions in the relationship between China and other countries could materially and adversely affect our business and our financial condition.

Our business and operations are primarily based in China and substantially all of our revenues are derived from our operations in China. Accordingly, our financial results have been, and are expected to continue to be, affected by the economy and e-commerce industry in China. Although the economy in China has grown significantly in the past decades, it still faces challenges. According to the National Bureau of Statistics of China, China's real GDP growth rate was 8.1% in 2021, slowed to 3.0% in 2022 and increased to 5.2% in 2023.

There have also been concerns about the tensions in the relationship between China and other countries, including surrounding Asian countries, which may potentially lead to foreign investors closing down their business or withdrawing their investment in China and thus exiting the China market, and other economic effects. In addition, there have been concerns on the relationship between China and the U.S. following rounds of tariffs imposed by the U.S and retaliatory tariffs imposed by China. Trade tension between China and the United States may intensify. Political tensions between the United States and China have escalated since the PRC National People's Congress' passage of Hong Kong national security legislation, the imposition of U.S. sanctions on certain Chinese officials from China's central government and the Hong Kong Special Administrative Region by the U.S. government, the imposition of sanctions on certain individuals from the U.S. by the Chinese government, various executive orders issued by former U.S. President Donald J. Trump, such as the one issued in August 2020 that prohibits certain transactions with certain Chinese companies, the executive order issued in November 2020 that prohibits U.S. persons from transacting publicly traded securities of certain "Communist Chinese military companies" named in such executive order, various actions taken by the U.S. government in response to concerns regarding forced labor in the Xinjiang Uyghur Autonomous Region of China, as well as the Rules on Counteracting Unjustified Extra-territorial Application of Foreign Legislation and Other Measures promulgated by MOFCOM on January 9, 2021, which will apply to situations where the extra-territorial application of foreign legislation and other measures, in violation of international law and the basic principles of international relations, unjustifiably prohibits or restricts the citizens, legal persons or other organizations of China from engaging in normal economic, trade and related activities with a third country (or region) or its citizens, legal persons or other organizations.

Rising political tensions could reduce levels of trades, investments, technological exchanges and other economic activities between the two major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term. There is also potential risk that the new national security legislation could trigger sanctions or other forms of penalties by foreign governments, which may adversely affect the financial market and economic condition of Hong Kong, and in turn may adversely affect the operations of our subsidiaries in Hong Kong and the trading price of our Class A ordinary shares on the Hong Kong Stock Exchange. We engage in business with various international brand partners, many of whom have their home market in the U.S. Escalating political and trade tensions between China and the U.S. may cause some of these brands to downscale their operations in China, or in the extreme case, exit China completely, which may materially and adversely affect our results of operations and financial position. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. If we were unable to conduct our business as it is currently conducted or our business partners were unable to conduct their business as it is currently conducted, as a result of such regulatory changes, our business, results of operations and financial condition would be materially and adversely affected.

In addition, there is considerable uncertainty in the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. Also, the conflict in Ukraine and the imposition of broad economic sanctions on Russia raised energy prices and disrupted global markets. Unrest, terrorist and war threats in the Middle East and elsewhere may further increase market volatility across the globe. Any prolonged slowdown in the global or Chinese economy may have a negative impact on our business, results of operations and financial condition, and continued turbulence in the international markets may adversely affect our ability to access the capital markets to meet liquidity needs.

Our growth and profitability depend on the overall economic and political conditions and level of consumer confidence and spending in China.

Our business, financial condition and results of operations are sensitive to changes in overall economic and political conditions that affect consumer spending in China. For example, changes to trade policies, treaties and tariffs in China, or the perception that these changes could occur, could adversely affect the financial and economic conditions in China, as well as our financial condition and results of operations. The U.S.-China trade tension may impact tariff of products imported by our brand partners, which could impact the pricing of their products and in turn adversely affect our business, financial condition, and results of operations.

In addition, the retail industry is highly sensitive to general economic changes. Many factors outside of our control, including inflation and deflation, interest rates, volatility of equity and debt securities markets, taxation rates, employment and other government policies can adversely affect consumer confidence and spending. The domestic and international political environments, including trade disputes, political turmoil or social instability, may also adversely affect consumer confidence and spending, which could in turn adversely affect our business, financial condition, and results of operations.

We rely on certain key operating metrics to evaluate the performance of our business, and any perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

We rely on certain key operating metrics to evaluate the performance of our business. Our operating metrics may differ from estimates published by third parties or from similarly titled metrics used by other companies due to differences in methodology and assumptions. If these metrics are perceived to be inaccurate by investors or investors make investment decisions based on operating metrics we disclosed but with their own methodology and assumptions or those published or used by third parties or other companies, our reputation may be harmed, which could negatively affect our business, and we may also face potential lawsuits or disputes.

We rely on the e-commerce performance of certain product categories, and any significant downward industry trend of such categories may materially and adversely affect our business and results of operations.

We currently serve brand partners in the following categories: apparel and accessories; appliances; electronics; home and furnishings; food and health products; beauty and cosmetics; fast moving consumer goods, and mother and baby products; and automobiles. If the e-commerce performance of certain or various product categories is not successful in general, our business and results of operations may be materially and adversely affected.

If we fail to maintain an effective system of internal control over financial reporting, our ability to produce accurate financial statements on a timely basis or prevent fraud could be impaired.

We are required to maintain an effective system of internal control over financial reporting. The SEC, as required under Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company to include a management report on such company's internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of the company's internal control over financial reporting. In addition, an independent registered public accounting firm must attest to and report on the effectiveness of the company's internal control over financial reporting. We have concluded that our internal control over financial reporting was effective as of December 31, 2023, but we cannot assure you that in the future we will not identify material weaknesses in our internal control over financial reporting. In addition, because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud might not be prevented or detected on a timely basis. As a result, if we fail to maintain effective internal control over financial reporting or should we be unable to prevent or detect material misstatements due to error or fraud on a timely basis, investors could lose confidence in the reliability of our financial statements, which in turn could harm our business, results of operations and negatively impact the market price of our ADSs and/or Class A ordinary shares, and harm our reputation. Furthermore, we have incurred and expect to continue to incur considerable costs and to use significant management time and the other resources to comply with these reporting requirements.

We may be subject to natural disasters, health epidemics, acts of war or terrorism or other factors beyond our control.

Natural disasters, health epidemics, acts of war, terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Our operations may be under the threat of floods, earthquakes, sandstorms, snowstorms, fire or drought, power, water or fuel shortages, failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, or are susceptible to potential wars or terrorist attacks. Serious natural disasters may result in loss of lives, injury, destruction of assets and disruption of our business and operations. Our operations could also be adversely affected if our employees are affected by health epidemics, such as new variants of COVID-19 or outbreaks of other diseases. In addition, our results of operations could be adversely affected to the extent that any health epidemic harms the Chinese economy in general. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial conditions and results of operations.

Risks Related to Our Corporate Structure

If the PRC government deems that the contractual arrangements in relation to Shanghai Zunyi do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

Foreign ownership of certain types of internet businesses, such as internet information services, is subject to restrictions under applicable PRC laws, rules and regulations. For example, foreign investors are generally not permitted to own more than 50% of the equity interests in a value-added telecommunication service provider. Although according to the Notice on Lifting the Restriction to Foreign Shareholding Percentage in Online Data Processing and Transaction Processing Business (Operational e-commerce) promulgated by the MIIT on June 19, 2015, foreign investors are allowed to hold up to 100% of all equity interests in the online data processing and transaction processing business (operational e-commerce) in China. Other requirements provided by the Administrative Rules for Foreign Investments in Telecommunications Enterprises still apply. Shanghai Baozun holds an operating license for online data processing and transaction processing business (operational e-commerce).

We are a Cayman Islands holding company and our PRC subsidiaries are considered foreign-invested enterprises, directly or indirectly. Our PRC subsidiary, Shanghai Baozun, is eligible to provide value-added telecommunication services in China by holding a VAT License for online data processing and transaction processing business (operational e-commerce). However, we do not currently provide value-added telecommunication services because sales of goods purchased by us do not constitute providing value-added telecommunication services. Our VIE, Shanghai Zunyi, however, holds an ICP license and previously operated an e-commerce platform for other trading parties. Shanghai Zunyi is 80% owned by Mr. Vincent Wenbin Qiu, our founder, chairman and chief executive officer, and 20% owned by Mr. Michael Qingyu Zhang, our co-founder. Mr. Vincent Wenbin Qiu and Mr. Michael Qingyu Zhang are both PRC citizens. Revenues from Shanghai Zunyi contributed to 8.6%, 6.8% and 6.2% of our total net revenues in 2021, 2022 and 2023, respectively.

We entered into a series of contractual arrangements with Shanghai Zunyi and its shareholders, which enable us to:

- exercise effective control over Shanghai Zunyi;
- receive substantially all of the economic benefits of Shanghai Zunyi; and
- have an exclusive option to purchase all or part of the equity interests and assets in Shanghai Zunyi when and to the extent permitted by PRC law.

Because of these contractual arrangements, we are the primary beneficiary of Shanghai Zunyi and hence consolidate its financial results as our VIE.

There are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. It is uncertain whether any new PRC laws or regulations relating to contractual arrangement structures will be adopted or if adopted, what they would provide. The Foreign Investment Law of the PRC and the Regulations for Implementation of the Foreign Investment Law of the People's Republic of China, or the Implementation Regulations, became effective on January 1, 2020. The Foreign Investment Law and the Implementation Regulations embody 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. However, since they are relatively new, uncertainties still exist in relation to their interpretation and implementation. For instance, under the Foreign Investment Law, "foreign investment" refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in China. Though it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities under the definition in the future. In addition, the definition contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the PRC regulators. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. In any of these cases, it will be uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations. If our consolidated "variable interest entity" were deemed as a foreign-invested enterprise under any of such future laws, regulations and rules, and any of the businesses that we operate would be in any "negative list" for foreign investment and therefore be subject to any foreign investment restrictions or prohibitions, further actions required to be taken by us under such laws, regulations and rules may materially and adversely affect our business and financial condition. If we or our VIE is found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures, including:

- revoking the business licenses and/or operating licenses of such entities;
- shutting down our website, or discontinuing or restricting the conduct of any transactions between certain of our PRC subsidiaries and VIE;
- imposing fines, confiscating the income from our PRC subsidiaries or VIE, or imposing other requirements with which we or our VIE may not be able to comply;
- requiring us to restructure our ownership structure or operations, including terminating the contractual arrangements with our VIE and deregistering the equity pledges of our VIE, which in turn would affect our ability to consolidate, derive economic interests from, or exert effective control over our VIE; or

- restricting or prohibiting our use of the proceeds of any financing outside China to finance our business and operations in China, and taking other regulatory or enforcement actions that could be harmful to our business.

The imposition of any of these penalties would result in a material and adverse effect on our ability to conduct our business. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of Shanghai Zunyi in our consolidated financial statements, if the PRC government authorities were to find our legal structure and contractual arrangements to be in violation of PRC laws and regulations. If the imposition of any of these government actions causes us to lose our right to direct the activities of Shanghai Zunyi or our right to receive substantially all the economic benefits and residual returns from Shanghai Zunyi and we are not able to restructure our ownership structure and operations in a satisfactory manner, we would no longer be able to consolidate the financial results of Shanghai Zunyi in our consolidated financial statements. Either of these results, or any other significant penalties that might be imposed on us in this event, would have an adverse effect on our financial condition and results of operations.

We rely on contractual arrangements with our VIE and its shareholders for a portion of our business operations, which may not be as effective as direct ownership in providing operational control.

Although a substantial majority of our revenue has historically been generated by our PRC subsidiaries, we have relied and expect to continue to rely on contractual arrangements with Shanghai Zunyi and its shareholders to provide brand e-commerce service to our brand partners, and to hold our VAT License to enable us to develop online marketplaces. Such contractual arrangements include: (i) an exclusive technology service agreement which has an initial term of 20 years and will be automatically renewed on a yearly basis thereafter unless otherwise notified by Shanghai Baozun; (ii) an exclusive call option agreement which will remain in effect until all the equity interests and assets that are the subject of such option agreement are transferred to Shanghai Baozun or its designated entities or individuals; (iii) a proxy agreement which has an initial term of 20 years and will be automatically renewed on a yearly basis thereafter unless otherwise notified by Shanghai Baozun; and (iv) equity interest pledge agreements which will remain in full effect until all the secured contractual obligations have been performed or all the secured debts have been discharged. For a description of these contractual arrangements, see “Item 4. Information on the Company — C. Organizational Structure — Contractual Arrangements with Shanghai Zunyi and Its Shareholders.” These contractual arrangements may not be as effective as direct ownership in providing us with control over our VIE.

If we had direct ownership of Shanghai Zunyi, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of Shanghai Zunyi, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the current contractual arrangements, we rely on the performance by our VIE and its shareholders of their obligations under the contracts to exercise control over our VIE. However, the shareholders of our VIE may not act in our best interests or may not perform their obligations under these contracts. Such risks exist throughout the period in which we intend to operate our business through the contractual arrangements with our VIE. We may replace the shareholders of our VIE at any time pursuant to our contractual arrangements with it and its shareholders. However, if any dispute relating to these contracts or the replacement of the shareholders remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and courts and therefore will be subject to uncertainties in the interpretation and enforcement of PRC laws and regulations. See “ — Any failure by our VIE or its shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business.” Therefore, our contractual arrangements with our VIE may not be as effective in ensuring our control over the relevant portion of our business operations as direct ownership would be.

Any failure by our VIE or its shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business.

If our VIE or its shareholders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and claiming damages. We cannot assure you such remedies will be effective. For example, if the shareholders of Shanghai Zunyi were to refuse to transfer their equity interest in Shanghai Zunyi to us or our designee when we exercise the purchase option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, we may have to take legal actions to compel them to perform their contractual obligations.

All the agreements under our contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. See “ — Risks Related to Doing Business in the People’s Republic of China — There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.” Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a VIE should be interpreted or enforced under PRC law, and as a result it may be difficult to predict how an arbitration panel would view such contractual arrangements. As a result, uncertainties in the interpretation and enforcement of PRC laws and regulations could limit our ability to enforce these contractual arrangements. Additionally, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award enforcement proceedings, which would require additional expenses and delay.

Our VIE provides brand e-commerce service to our brand partners and holds the ICP license. In the event we are unable to enforce our contractual arrangements, we may not be able to exert effective control over our VIE, and our ability to conduct the businesses may be negatively affected. Considering that the substantial majority of our revenues are currently generated from our subsidiaries instead of our VIE, we do not believe that any failure by us to exert effective control over our VIE would have an immediate material adverse effect on our overall business operations, financial condition or results of operations. However, the business operation of Shanghai Zunyi, our VIE, may grow in the future, and if we fail to maintain effective control over our VIE, we may not be able to continue to consolidate our VIE’s financial results with our financial results, and such failure could in the future materially and adversely affect our business, financial condition, results of operations and prospects.

The shareholders of our VIE may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

Mr. Vincent Wenbin Qiu and Mr. Michael Qingyu Zhang are the shareholders of our VIE, Shanghai Zunyi. Mr. Vincent Wenbin Qiu is our founder, chairman and chief executive officer, and Mr. Michael Qingyu Zhang is our co-founder. They may have potential conflicts of interest with us. These shareholders may breach, or cause our VIE to breach, or refuse to renew, the existing contractual arrangements we have with them and our VIE, which would have a material and adverse effect on our ability to effectively control our VIE and receive substantially all the economic benefits from it. For example, the shareholders may be able to cause our agreements with Shanghai Zunyi to be performed in a manner adverse to us by, among other things, failing to remit payments due under the contractual arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise, any or all of these shareholders will act in our best interests or such conflicts will be resolved in our favor.

Currently, we do not have any arrangements to address potential conflicts of interest between these shareholders and us. Mr. Vincent Wenbin Qiu is also a director of our company. We rely on Mr. Vincent Wenbin Qiu and Mr. Michael Qingyu Zhang to abide by the laws of the Cayman Islands and China, which provide that directors owe a fiduciary duty to the company that requires them to act in good faith and in what they believe to be the best interests of the company and not to use their position for personal gains. If we cannot resolve any conflict of interest or dispute between us and the shareholders of Shanghai Zunyi, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

Contractual arrangements in relation to our VIE may result in adverse tax consequences to us and a finding that we or our VIE owes additional taxes, which could reduce our net income and the value of your investment.

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements between Shanghai Baozun, our wholly-owned subsidiary in China, Shanghai Zunyi, our VIE in China, and its shareholders were not entered into on an arm’s-length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust Shanghai Zunyi’s income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by Shanghai Zunyi for PRC tax purposes, which could in turn increase their tax liabilities. In addition, the PRC tax authorities may impose punitive interest on Shanghai Zunyi for the adjusted but unpaid taxes at the rate of 5% over the basic RMB lending rate published by the People’s Bank of China, or the PBOC, for a period according to the applicable regulations. Our financial position could be materially and adversely affected if our VIE’s tax liabilities increase or if they are required to pay punitive interest.

Risks Related to Doing Business in the People's Republic of China

Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.

Our business and operations are primarily based in the PRC and substantially all of our revenues are derived from our operations in the PRC. Accordingly, our financial condition and results of operations are affected to a significant extent by economic, political and legal developments in the PRC.

The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth by allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, regulating financial services and institutions and providing preferential treatment to particular industries or companies.

While the PRC economy has experienced significant growth in the past three 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 may benefit the overall PRC economy, but may also have a negative effect on us. Our financial condition and results of operation could be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. In addition, the PRC government has implemented in the past certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity, which in turn could lead to a reduction in demand for our services and consequently have a material adverse effect on our businesses, financial condition and results of operations.

There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.

Our business and operations are primarily conducted in the PRC, and are governed by PRC laws, rules and regulations. Our PRC subsidiaries and VIE are subject to laws, rules and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by PRC regulatory agencies. In particular, because these laws, rules and regulations are relatively new, and because of the limited number of published decisions and the non-binding nature of such decisions, and because the laws, rules and regulations often give the relevant regulator significant discretion in how to enforce them, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. In addition, the PRC legal system is based in part on government policies and internal rules. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business, financial condition and results of operations.

We are subject to laws that are applicable to retailers, including advertising and promotion laws and consumer protection laws that could require us to modify our current business practices and incur increased costs.

As an online distributor of goods, we are subject to numerous PRC laws and regulations that regulate retailers generally or govern online retailers specifically. For example, we are subject to laws in relation to advertising and online promotion, such as the Advertising Law, Pricing Law, Anti-Unfair Competition Law, Interim Measures for the Administration of Internet Advertising, and also consumer protection laws that are applicable to retailers. In the past, we have been subject to non-material administrative proceedings and penalties due to non-compliances with such laws and regulations and may continue to be subject to allegations of non-compliance with such laws and regulations in the future. Such allegations, which may or may not have merit, may result in administrative penalties and other costs to us, and we may need to adjust some of our advertising and promotional practices as a result.

If these regulations were to change or if we are found to be in violation with them, we may need to spend additional costs to rectify non-compliance, adjust our business practices and could be subject to fines or penalties or suffer reputational harm, which could reduce demand for the products or services offered by us and hurt our business and results of operations. For example, the amended Consumer Protection Law, which became effective in March 2014, further strengthened the protection of consumers and imposed more stringent requirements and onerous obligations on businesses, especially businesses that operate on the internet.

Pursuant to the amended Consumer Protection Law, consumers are generally entitled to return goods purchased within seven days upon receipt without giving any reasons if they purchase the goods over the internet. Consumers whose interests have been damaged due to their purchase of goods online may claim damages against sellers. Moreover, if we deceive consumers or knowingly sell substandard or defective products, we would not only be required to compensate consumers for their losses, but also pay additional damages equal to three times the price of the goods or services.

Operators of online marketplace platforms, such as Tmall and JD.com who have partnered with us, are also subject to stringent obligations under the amended Consumer Protection Law. For example, where platform operators are unable to provide the real names, addresses and valid contact details of the sellers, the consumers may also claim damages from the platform operators. Operators of online marketplace platforms that know or should have known that sellers use their platforms to infringe upon legitimate rights and interests of consumers but fail to take necessary measures will bear joint and several liabilities with the sellers. In addition, operators of online marketplace platforms that we partner with may take measures and impose stricter requirements on us or our brand partners as a reaction to their enhanced obligations under the amended Consumer Protection Law.

Similar legal requirements are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. We may be required to make significant expenditures or modify our business practices to comply with existing or future laws and regulations or to satisfy compliance requests from the marketplace platforms we partnered with, which may increase our costs and materially limit our ability to operate our business.

Failure to comply with the relatively new E-Commerce Law may have a material adverse impact on our business, financial conditions and results of operations.

As the e-commerce industry is still evolving in China, new laws and regulations may be adopted from time to time to address new issues that arise from time to time. For example, in August 2018, the Standing Committee of the National People's Congress promulgated the E-Commerce Law, which became effective on January 1, 2019. The E-Commerce Law generally provides that e-commerce operators must obtain administrative licenses if business activities conducted by the e-commerce operators are subject to administrative licensing requirements under applicable laws and regulations. In addition, the e-commerce Law imposes a number of obligations on e-commerce operators, including the obligations, to disclose information about commodities or services in a comprehensive, faithful, accurate and timely manner; while displaying search results of commodities or services to consumers according to their interests, preferences, consumption habits and other personal characteristics, to provide consumers with options irrelevant to their personal characteristics; when to offer tie-in commodities or services, to warn consumers about the tie-in sale in a prominent position and not to set the tie-in commodities or services as the default option; and when charging consumers guarantee deposits as agreed thereby, to explicitly indicate how and under what procedures consumers may have the guarantee deposits refunded, and not to impose any unjustifiable conditions on the refund of guarantee deposits. Failure to comply with the relatively new regulatory requirements may have a material adverse impact on our business and results of operations. As no detailed interpretation and implementation rules have been promulgated, it remains uncertain how the newly adopted E-Commerce Law will be interpreted and implemented. We cannot assure you that our current business operations satisfy the obligations provided under the E-Commerce Law in all respects. If the PRC governmental authorities determine that we are not in compliance with all the requirements proposed under the E-Commerce Law, we may be subject to fines and/or other sanctions.

PRC regulations regarding acquisitions impose significant regulatory approval and review requirements, which could make it more difficult for us to grow through acquisitions.

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State-Owned Assets Supervision and Administration Commission, the State Taxation Administration of the PRC, or the STA, the State Administration for Industry and Commerce of the PRC (currently known as SAMR), the CSRC, and the State Administration of Foreign Exchange, or the SAFE, jointly adopted the Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which came into effect on September 8, 2006 and were amended on June 22, 2009.

The M&A Rules established additional procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time-consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Rules of the MOFCOM on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, issued by the MOFCOM in August 2011, specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and prohibit any attempt to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In addition, the Anti-Monopoly Law requires that the anti-monopoly law enforcement agency be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, our proposed formation of joint venture with, or acquisition of control of, or decisive influence over, any company with revenues above relevant thresholds would be subject to SAMR merger control review. As a result of our size, many of the transactions we have taken or may undertake could be subject to anti-monopoly review. Complying with the requirements of the relevant regulations to complete such transactions could be time-consuming, and any required approval processes, including approval from the anti-monopoly law enforcement agency may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Furthermore, outbound direct investments conducted by PRC enterprises are subject to approval, filing or reporting requirements under relevant NDRC, MOFCOM and SAFE rules. We have not completed the requisite procedures for certain of our investments in the United States, Hong Kong and Taiwan, respectively, and hence may be ordered to cease such outbound investments and subject to relevant legal and administrative liabilities. In addition, the NDRC issued the new Regulations on Enterprise Outbound Investment in December 2017 which came into effect on March 1, 2018. Under these new regulations, if an overseas entity controlled by PRC enterprises or individuals conducts an outbound investment with an investment amount of US\$300 million or above in one of the non-sensitive areas, it shall report the relevant information to the NDRC before the closing of such investment. For any outbound investment by an overseas entity controlled by PRC enterprises or individuals in one of the sensitive areas listed in the Outbound Investment Sensitive Industry Catalogue (2018 Version) which was promulgated by the NDRC in January 2018 and came into effect on March 1, 2018, or the Outbound Investment Sensitive Industry Catalogue (2018), such investment shall be subject to the NDRC approval requirement. We may be deemed by the regulatory authorities as an overseas entity controlled by PRC individuals and therefore our overseas acquisition may be subject to such reporting or approval procedures.

If the regulatory authorities’ practice remains unchanged, our ability to carry out our investment and acquisition strategy may be materially and adversely affected and there may be significant uncertainty as to whether transactions that we have taken or may undertake would subject us to fines or other administrative penalties and negative publicity and whether we will be able to complete large acquisitions in the future in a timely manner or at all.

The approval of and/or filing with the CSRC or other PRC government authorities may be required in connection with our offshore offerings under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing.

The M&A Rules requires an overseas special purpose vehicle formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC persons or entities to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear, and our offshore offerings may ultimately require approval of the CSRC. If the CSRC approval is required, it is uncertain whether we can or how long it will take us to obtain the approval and, even if we obtain such CSRC approval, the approval could be rescinded. Any failure to obtain or delay in obtaining the CSRC approval for any of our offshore offerings, or a rescission of such approval if obtained by us, would subject us to sanctions imposed by the CSRC or other PRC regulatory authorities, which could include fines and penalties on our operations in China, restrictions or limitations on our ability to pay dividends outside of China, and other forms of sanctions that may materially and adversely affect our business, financial condition, and results of operations.

On July 6, 2021, the relevant PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

On February 17, 2023, the CSRC issued the Overseas Listing Filing Rules, which took effect on March 31, 2023. According to the Overseas Listing Filing Rules, the issuer or a major domestic operating company designated by the issuer, as the case may be, shall file with the CSRC for its initial public offering or listing, follow-on offering and other capital raising activities, among others, (i) with respect to its follow-on offering in the same foreign market within three business days, after completion of the follow-on offering, and (ii) with respect to its follow-on offering and listing in other foreign markets within three business days, after its initial filing of the listing application to the regulator in the place of such intended listing.

The Overseas Listing Filing Rules stipulate the domestic enterprises like us that have completed overseas listings are not required to file with the CSRC immediately, but shall carry out filing procedures as required if we have subsequent filing or reporting matters in the future, such as future offshore listings, refinancing and other capital raising activities, as well as other major events, including but not limited to the change of control, investigated or punished by overseas securities regulatory authorities or relevant competent authorities, changing listing status or listing sector, terminating the listing voluntarily or forcibly, and changing our major business activities. The CSRC or other PRC regulatory authorities also may take actions requiring us, or making it advisable for us, to halt our offshore listings or future capital raising activities before settlement and delivery of the proceeds hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur. Non-compliance with the Overseas Listing Filing Rules or an overseas listing completed in breach of the Overseas Listing Filing Rules may result in a warning on the relevant domestic companies and a fine of RMB1 million (US\$140,847.1) to RMB10 million (US\$1.4 million) on them. Furthermore, the supervisors directly responsible and other directly responsible persons of the domestic enterprises may be warned, and fined between RMB500,000 (US\$70,423.5) to RMB5,000,000 (US\$704,235.3). The controlling shareholders or actual controllers of the domestic company organize or instigate the relevant illegal acts, or conceals relevant matters resulting in the illegal acts, may be fined between RMB1 million (US\$140,847.1) to RMB10 million (US\$1.4 million). We cannot assure you that we will be able to complete the filings or reporting and fully comply with the relevant new rules and requirements in a timely manner or at all. See “Item 4. Information on the Company - B. Business Overview - Regulations - Regulations Relating to M&A Rules and Overseas Listing.” In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for our offshore listings or future capital raising activities, 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 or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business, prospects, financial condition, reputation, and the proceeds of the shares.

However, since the Overseas Listing Filing Rules are relatively new, as of the date of this annual report, substantial uncertainties exist with respect to the interpretations and implementations of the Overseas Listing Filing Rules, which needs to be further guided and clarified by the CSRC and other regulatory authorities. Based on a set of Q&A published on the CSRC’s official website in connection with the release of the Overseas Listing Filing Rules, a CSRC official indicated that, among others, (i) the domestic company that has completed overseas public offering and listing prior to the enactment of the Overseas Listing Filing Rules will be regarded as an “inventory enterprise,” and the inventory enterprise is not required to file with CSRC immediately; (ii) the inventory enterprise shall file with CSRC as required in the future if the filing matters such as its refinancing is involved; and (iii) with respect to the overseas listing of enterprises with VIE structure, the filing management will adhere to the market-oriented and rule-of-law principles, and the CSRC will solicit opinions from relevant regulatory authorities and file the overseas listing of enterprises with VIE structure that meet the compliance requirement. Nevertheless, it does not specify what qualifies as compliant VIE structures and what relevant domestic laws and regulations are required to be complied with.

PRC regulations relating to investments in offshore companies by PRC residents may subject our PRC-resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries or limit our PRC subsidiaries' ability to increase their registered capital or distribute profits.

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75" promulgated by SAFE on October 21, 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, 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 increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from 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 subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment released on February 13, 2015 by SAFE, local banks shall examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37 from June 1, 2015. Beneficial owners of the special purpose vehicle who are PRC citizens are also required to make annual filing with the local banks regarding their overseas direct investment status.

Mr. Vincent Wenbin Qiu and Mr. Junhua Wu have completed initial filings with the local counterpart of SAFE relating to their initial investments in us. However, we may not be aware of the identities of all of our beneficial owners who are PRC residents. We do not have control over our beneficial owners and cannot assure you that all of our PRC-resident beneficial owners will comply with SAFE Circular 37 and subsequent implementation rules, including the annual filing requirement. Furthermore, we may be unable to disclose change of our beneficial owners' shareholding interests in us during the annual filing process of our PRC subsidiaries as required by SAFE. The failure of our beneficial owners who are PRC residents to register or amend their foreign exchange registrations in a timely manner pursuant to SAFE Circular 37 and subsequent implementation rules, or the failure of future beneficial owners of our company who are PRC residents to comply with the registration procedures set forth in SAFE Circular 37 and subsequent implementation rules, may subject such beneficial owners or our PRC subsidiaries to fines and legal sanctions. Failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to our company. These risks may have a material adverse effect on our business, financial condition and results of operations.

PRC regulations of loans to PRC entities and direct investment in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of our offerings to make loans or additional capital contributions to our foreign-invested enterprises or our VIE.

We may transfer funds to our directly owned PRC subsidiaries which are FIEs under PRC laws or finance such FIEs by means of shareholder loans or capital contributions, or to our VIE by making loans, upon completion of our offerings. Any such loans to our FIEs cannot exceed statutory limits, which is either the difference between the registered capital and the total investment amount of such FIE or a multiple of the FIE's net assets in the previous year, and shall be registered or filed with SAFE, or its local counterparts. Any such loans to our VIE are subject to PRC regulations and foreign exchange loan registration. Furthermore, if we make any capital contributions to FIEs, FIEs are required to register the details of the capital contribution with the local branch of SAMR and submit a report on the capital contribution via the online enterprise registration system to the MOFCOM.

In addition, SAFE promulgated the Circular on the Relevant Operating Issues concerning Administration Improvement of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises, or Circular 142, on August 29, 2008. SAFE promulgated Circular 45 on November 9, 2011 in order to clarify the application of Circular 142. Under Circular 142 and Circular 45, registered capital of a foreign-invested company settled in RMB converted from foreign currencies may only be used within the business scope approved by the applicable governmental authority and may not be used for equity investments in the PRC. On March 30, 2015, SAFE released the Notice on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises, or SAFE Circular 19, which came into force and superseded SAFE Circular 142 from June 1, 2015. SAFE Circular 19 has made certain adjustments to some regulatory requirements on the settlement of foreign exchange capital of foreign-invested enterprises, and some foreign exchange restrictions under SAFE Circular 142 are lifted. Under SAFE Circular 19, the settlement of foreign exchange by FIEs shall be governed by the policy of foreign exchange settlement at will. In June 2016, SAFE promulgated Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, which removed certain restrictions previously provided under several SAFE circulars in respect of conversion by an FIE of foreign currency registered capital into RMB and use of such RMB capital. However, SAFE Circular 19 and SAFE Circular 16 also reiterate that the settlement of foreign exchange shall only be used for purposes within the business scope of the FIEs. On October 23, 2019, the SAFE issued the Circular on Further Promoting Cross-border Trade and Investment Facilitation, or SAFE Circular 28. Among others, SAFE Circular 28 relaxes prior restrictions and allows foreign-invested enterprises whose approved business scope does not include equity investments to use their capital funds obtained from foreign exchange settlement to make domestic equity investments in China, provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with the laws.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, including SAFE Circulars referred to above, we cannot assure you that we will be able to complete the necessary government registrations or filings on a timely basis, if at all, with respect to future loans by us to our PRC subsidiaries or our VIE or additional capital contributions by us to our PRC subsidiaries, and conversion of such loans or capital contributions into RMB. If we fail to complete such registrations or filings, our ability to provide loans or capital contributions to the FIEs or our VIE in a timely manner may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Any failure to comply with PRC regulations regarding our employee equity incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Pursuant to SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly-listed companies due to their position as director, senior management or employees of the PRC subsidiaries of the overseas companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. Our directors, executive officers and other employees who are PRC residents and who have been granted options may follow SAFE Circular 37 to apply for the foreign exchange registration before our company becomes an overseas listed company. We and our directors, executive officers and other employees who are PRC residents and who have been granted options are subject to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, or the Share Option Rules, issued by SAFE in February 2012, according to which, employees, directors, supervisors and other management members participating in any stock incentive plan of an overseas publicly listed company who are PRC residents are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit the ability to make payment under our equity incentive plans or receive dividends or sales proceeds related thereto, or our ability to contribute additional capital into our wholly-foreign owned enterprises in China and limit our wholly-foreign owned enterprises' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional equity incentive plans for our directors and employees under PRC law. Shanghai Baozun Wujiang Branch has already completed the SAFE registration under the Share Option Rules.

In addition, the STA has issued circulars concerning employee share options or restricted shares. Under these circulars, employees working in the PRC who exercise share options, or whose restricted shares or restricted share units, vest, will be subject to PRC individual income tax. The PRC subsidiaries of an overseas listed company have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees related to their share options, restricted shares or restricted share units. In addition, the sales of our ADSs or ordinary shares held by such PRC individual employees after their exercise of the options, or the vesting of the restricted shares or restricted share units, are also subject to PRC individual income tax. If the employees fail to pay, or the PRC subsidiaries fail to withhold, their income taxes according to relevant laws, rules and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC government authorities.

We may rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries to fund offshore cash and financing requirements.

We are a holding company and may rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries and on remittances from our VIE, for our offshore cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, fund inter-company loans, service any debt we may incur outside of China and pay our expenses. When our principal operating subsidiaries or our VIE incur additional debt, the instruments governing the debt may restrict their ability to pay dividends or make other distributions or remittances to us. Furthermore, the laws, rules and regulations applicable to our PRC subsidiaries and certain other subsidiaries permit payments of dividends only out of their retained earnings, if any, determined in accordance with applicable accounting standards and regulations.

Under PRC laws, rules and regulations, each of our subsidiaries incorporated in China is required to set aside at least 10% of its net income each year to fund certain statutory reserves until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves, together with the registered equity, are not distributable as cash dividends. As a result of these laws, rules and regulations, our subsidiaries incorporated in China are restricted in their ability to transfer a portion of their respective net assets to their shareholders as dividends. In addition, registered share capital and capital reserve accounts are also restricted from withdrawal in the PRC, up to the amount of net assets held in each operating subsidiary. As of December 31, 2023, we had restricted net assets of RMB3,335.0 million (US\$469.7 million).

Limitations on the ability of our VIE to make remittance to the wholly-foreign owned enterprise and on the ability of our subsidiaries to pay dividends to us could limit our ability to access cash generated by the operations of those entities, including to make investments or acquisitions that could be beneficial to our businesses, pay dividends to our shareholders or otherwise fund and conduct our business.

We may be treated as a resident enterprise for PRC tax purposes under the EIT Law, and we may therefore be subject to PRC income tax on our global income.

Under the PRC Enterprise Income Tax Law, or the EIT Law, and its implementing rules, enterprises established under the laws of jurisdictions outside of China with “de facto management bodies” located in China may be considered PRC tax resident enterprises for tax purposes and may be subject to the PRC enterprise income tax at the rate of 25% on their global income. “De facto management body” refers to a managing body that exercises substantive and overall management and control over the production and business, personnel, accounting books and assets of an enterprise. The STA 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, with retroactive effect from January 1, 2008. 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. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by foreign enterprises or individuals, the determining criteria set forth in Circular 82 may reflect the STA’s general position on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises. If we were to be considered a PRC resident enterprise, we would be subject to PRC enterprise income tax at the rate of 25% on our global income. In such case, our profitability and cash flow may be materially reduced as a result of our global income being taxed under the EIT Law. We believe that none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident 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.”

Dividends payable to our foreign investors and gains on the sale of our ADSs or ordinary shares by our foreign investors may become subject to PRC tax law.

Under the EIT Law and its implementation regulations issued by the State Council, a 10% PRC withholding tax is applicable to dividends payable to investors that are non-resident enterprises, which do not have an establishment or place of business in the PRC or which have such establishment or place of business but the dividends are not effectively connected with such establishment or place of business, to the extent such dividends are derived from sources within the PRC. Similarly, any gain realized on the transfer of ADSs or ordinary shares by such investors is also subject to PRC tax at a current rate of 10%, subject to any reduction or exemption set forth in applicable tax treaties or under applicable tax arrangements between jurisdictions, if such gain is regarded as income derived from sources within the PRC. If we are deemed a PRC resident enterprise, dividends paid on our ordinary shares or ADSs, and any gain realized from the transfer of our ordinary shares or ADSs, would be treated as income derived from sources within the PRC and would as a result be subject to PRC taxation. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to individual investors who are non-PRC residents and any gain realized on the transfer of ADSs or ordinary shares by such investors may be subject to PRC tax at a current rate of 20%, subject to any reduction or exemption set forth in applicable tax treaties or under applicable tax arrangements between jurisdictions. It is unclear whether if we or any of our subsidiaries established outside China are considered a PRC resident enterprise, holders of our ADSs or ordinary shares would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas. If dividends payable to our non-PRC investors, or gains from the transfer of our ADSs or ordinary shares by such investors are subject to PRC tax, the value of your investment in our ADSs or ordinary shares may decline significantly.

We and our shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a Chinese establishment of a non-Chinese company, or immovable properties located in China owned by non-Chinese companies.

On February 3, 2015, the STA issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises, or Bulletin 7. Pursuant to Bulletin 7, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be recharacterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. According to Bulletin 7, “PRC taxable assets” include assets attributed to an establishment in China, immovable properties located in China, and equity investments in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income taxes. When determining whether there is a “reasonable commercial purpose” of the transaction arrangement, features to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the shareholders, business model and organizational structure of an overseas enterprise; the income tax payable abroad due to the indirect transfer of PRC taxable assets; the replicability of the transaction by direct transfer of PRC taxable assets; and the tax situation of such indirect transfer and applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment, the resulting gain is to be included with the enterprise income tax filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to the immovable properties located in China or to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax at 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. Where the payor fails to withhold any or sufficient tax, the transferor shall declare and pay such tax to the tax authority by itself within the statutory time limit. Bulletin 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired from a transaction through a public stock exchange. On October 17, 2017, the STA, issued the Announcement of the STA on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or Bulletin 37, which came into effect on December 1, 2017. Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax. Pursuant to Bulletin 7 and Bulletin 37, both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries or investments. We may be subject to filing obligations or taxed if we are transferor in such transactions, and may be subject to withholding obligations if we are transferee in such transactions, under Bulletin 7 and Bulletin 37. For transfer of shares in our company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing. As a result, we may be required to expend valuable resources to comply with Bulletin 7 and Bulletin 37 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our company should not be taxed under these circulars, or to pay tax pursuant to these circulars, which may have a material adverse effect on our financial condition and results of operations. In addition, the sales of our ADSs or ordinary shares held by our PRC individual employees after their exercise under relevant incentive plans are also subject to PRC individual income tax.

Restrictions on currency exchange may limit our ability to utilize our revenue effectively.

Substantially all of our revenue is denominated in Renminbi. The Renminbi is currently convertible under the “current account,” which includes dividends, trade and service-related foreign exchange transactions, but not under the “capital account,” which includes foreign direct investment and loans, including loans we may secure from our onshore subsidiaries or variable interest entity. Currently, Shanghai Baozun, our major PRC subsidiary which is a wholly-foreign owned enterprise, may purchase foreign currency for settlement of “current account transactions,” including payment of dividends to us, without the approval of SAFE by complying with certain procedural requirements such as presenting documentary evidence of such transactions to banks. The Outbound Investment Sensitive Industry Catalogue (2018) also lists certain industries as sensitive outbound investment industries, which are subject to NDRC pre-approval requirements prior to remitting investment funds offshore. However, the relevant PRC governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. Since a significant amount of our future revenue will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to utilize revenue generated in Renminbi to fund our business activities outside of the PRC or pay dividends in foreign currencies to our shareholders, including holders of our ordinary shares and/or ADSs. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities. This could affect our ability to obtain foreign currency through debt or equity financing for our subsidiaries and our VIE.

Fluctuations in exchange rates could result in foreign currency exchange losses and could materially reduce the value of your investment.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the PBOC. The Renminbi has fluctuated against the U.S. dollars, at times significantly and unpredictably. The value of the Renminbi against the U.S. dollar and other currencies is affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. 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. Substantially all of our revenues and costs are denominated in Renminbi. Substantially all of our revenues and costs are denominated in Renminbi. Any significant revaluation of Renminbi may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, our ordinary shares and/or ADSs in U.S. dollars. For example, to the extent that we need to convert U.S. dollars we receive from our public offerings, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs, or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amounts available to us.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

The discontinuation of any of the preferential income tax treatments or government subsidies currently available to us in the PRC could have a material and adverse effect on our result of operations and financial condition.

We cannot assure you that the preferential income tax rate of our VIE will be maintained in future periods. Pursuant to the EIT Law, as further clarified by subsequent tax regulations implementing the EIT Law, foreign-invested enterprises and domestic enterprises are subject to enterprise income tax at a uniform rate of 25%. Certain enterprises may benefit from a preferential tax rate of 15% under the EIT Law if they qualify as “high and new technology enterprises” and meet other criteria under the EIT Law and the related regulations.

Five of our subsidiaries qualified as a “high and new technology enterprise” starting from 2018 and renewed the qualification subsequently, and are therefore subject to a 15% preferential income tax rate with a valid term of three years from the year of qualification or renewal. If any of these subsidiaries or our VIE fails to maintain the high and new technology enterprise qualification, its applicable enterprise income tax rate will increase to 25%.

The discontinuation of the above-mentioned preferential income tax treatments or the change of the applicable preferential tax rate currently available to us in the PRC could have a material and adverse effect on our result of operations and financial condition. We cannot assure you that we will be able to maintain our current effective tax rate in the future.

We also received subsidies from local governments in China as incentives for conducting business in certain local districts. We recognized cash subsidies of RMB41.3 million, RMB72.9 million and RMB78.5 million (US\$11.1 million) for the years ended December 31, 2021, 2022 and 2023, respectively. These government subsidies are non-recurring in nature and we cannot assure you that we will be able to receive any government subsidies in the future.

Our deferred tax assets are subject to uncertainties and judgments.

In the application of our accounting policies, our management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates. As of December 31, 2021, 2022 and 2023, we recorded deferred tax assets of RMB114.2 million, RMB162.5 million and RMB200.6 million (US\$28.3 million), respectively. We account for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the temporary differences between the financial statements carrying amounts and tax bases of existing assets and liabilities by applying enacted statutory tax rates that will be in effect in the period in which the temporary differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, based upon the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized in the consolidated statements of operations in the period of change. In the event that a substantial reversal of deferred tax assets arises in future periods, our results of operations and financial condition may be materially and adversely affected.

Failure to make adequate contributions to various employee benefit plans as required by the PRC regulations may subject us to penalties.

Companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of our employees up to a maximum amount specified by the local government from time to time. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. In addition, we engage third-party human resources agencies to make social insurance and housing fund contributions for certain of our employees, and there is no assurance that such third-party agencies will make such contributions in full in a timely manner, or at all. Although some of our PRC entities incorporated in various locations in China have made the required employee benefit payments, we cannot assure you that we are able to make adequate contribution in a timely manner at all time. If we are subject to late fees or fines in relation to the underpaid employee benefits, our financial condition and results of operations may be adversely affected.

Risks Related to Our Ordinary Shares and ADSs

The trading price of our ADSs and our Class A ordinary shares has been and is likely to continue to be volatile, which could result in substantial losses to the holders of our ADSs and/or Class A ordinary shares.

The trading price of our ADSs and/or Class A ordinary shares has been and is likely to continue to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, like the performance and fluctuation in the market prices or the underperformance or deteriorating financial results of other companies with business operations located mainly in China that have listed their securities in Hong Kong and/or the United States, or because of the trends in the global economy in general or the Chinese economy in particular, or because of international geopolitical tensions. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in the trading prices of their securities. The trading performances of other Chinese companies' securities after their offerings, including internet and e-commerce companies, may affect the attitudes of investors toward companies with business operations located mainly in China that have listed their securities listed in Hong Kong and/or the United States, which consequently may impact the trading performance of our ADSs and/or Class A ordinary shares, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or 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 conducted any inappropriate activities. In addition, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, which may have a material and adverse effect on the trading price of our ADSs and/or Class A ordinary shares.

In addition to the above factors, the prices and trading volumes of our ADSs and/or Class A ordinary shares may be highly volatile due to multiple factors, including the following:

- regulatory developments affecting us or our industry, brand partners, suppliers or third-party sellers;
- announcements of studies and reports relating to the quality of our product and service offerings or those of our competitors;
- changes in the economic performance or market valuations of other e-commerce companies;
- actual or anticipated fluctuations in our quarterly results of operations and changes or revisions of our expected results;
- changes in financial estimates by securities research analysts;
- conditions in the online retail market;
- announcements by us or our competitors of new product and service offerings, acquisitions, strategic relationships, joint ventures, capital raisings or capital commitments;
- additions to or departures of our senior management;
- fluctuations of exchange rates among the RMB , the Hong Kong dollar and the U.S. dollar;
- natural disasters or health epidemic;
- political or market instability or disruptions, pandemics or epidemics and other disruptions to China's economy or the global economy, and actual or perceived social unrest in the United States, Hong Kong or other jurisdictions;
- release or expiry of lock-up or other transfer restrictions on our outstanding shares or ADSs;
- litigation, government investigation or other legal or regulatory proceeding;
- our share repurchase programs; and
- any future issuances of securities, including sales or perceived potential sales of additional ordinary shares or ADSs in certain circumstances.

Any of these factors may result in large and sudden changes in the volume and trading price of our ADSs and/or Class A ordinary shares. In addition, global stock markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies and industries. These market fluctuations may significantly affect the trading price of our ADSs and/or Class A ordinary shares.

The different characteristics of the capital markets in Hong Kong and the United States may negatively affect the trading prices of our ADSs and Class A ordinary shares.

As a dual-listed company, we are subject to Hong Kong and the Nasdaq Global Select Market listing and regulatory requirements concurrently. The Hong Kong Stock Exchange and the Nasdaq Global Select Market have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading prices of our ADSs and our Class A ordinary shares may not be the same, even allowing for currency differences. Fluctuations in the price of our ADSs due to circumstances peculiar to the U.S. capital markets could materially and adversely affect the price of the Class A ordinary shares, or vice versa. Certain events having significant negative impact specifically on the U.S. capital markets may result in a decline in the trading price of our Class A ordinary shares notwithstanding that such event may not impact the trading prices of securities listed in Hong Kong generally or to the same extent, or vice versa.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for our ADSs and/or Class A ordinary shares and trading volume could decline.

The trading market for our ADSs and/or Class A ordinary shares will depend in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who covers us downgrades our ADSs and/or Class A ordinary shares or publishes inaccurate or unfavorable research about our business, the market price for our ADSs and/or Class A ordinary shares would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our ADSs and/or Class A ordinary shares to decline.

Because we do not expect to pay dividends in the foreseeable future, holders of our ADSs and/or Class A ordinary shares must rely on price appreciation of our ADSs and/or Class A ordinary shares for return on their investment.

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

Our board of directors has complete discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either its profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on their investment in our ADSs and/or Class A ordinary shares will likely depend entirely upon any future price appreciation of our ADSs and/or Class A ordinary shares. There is no guarantee that our ADSs and/or Class A ordinary shares will appreciate in value or even maintain the price at which holders of our ADSs and/or Class A ordinary shares purchased the ADSs and/or Class A ordinary shares. They may not realize a return on their investment in our ADSs and/or Class A ordinary shares and they may even lose their entire investment in our ADSs and/or Class A ordinary shares.

Substantial future sales or perceived potential sales of our ADSs and/or Class A ordinary shares in the public market could cause the prices of our ADSs and/or Class A ordinary shares to decline.

Sales of our ADSs and/or Class A ordinary shares in the public market, or the perception that these sales could occur, could cause the market price of our ADSs and/or Class A ordinary shares to decline significantly. All of our Class A ordinary shares represented by ADSs were freely transferable by persons other than our “affiliates” without restriction or additional registration under the Securities Act. Some Class A ordinary shares outstanding after our offerings will be available for sale, upon the expiration of the lock-up periods (if applicable to such holder), subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act. Any or all of these ordinary shares may be released prior to the expiration of the applicable lock-up period at the discretion of the designated representatives. To the extent a substantial amount of shares are released before the expiration of the applicable lock-up period and sold into the market, the market price of our ADSs and/or Class A ordinary shares could decline significantly.

In addition, convertible senior notes that we may issue from time to time may also encourage short selling by market participants because the conversion of the convertible senior notes could depress the price of our ADS and/or Class A ordinary shares. The price of our ADSs and/or Class A ordinary shares could be affected by possible sales of our ADSs and/or Class A ordinary shares by investors who view the convertible senior notes as a more attractive means of equity participation in us and by hedging or arbitrage trading activity, which we expect to occur involving our ADSs and/or Class A ordinary shares.

Our dual-class voting structure limits the ability of holders of our Class A ordinary shares and ADSs to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.

Mr. Vincent Wenbin Qiu, our founder, chairman and chief executive officer, and Mr. Junhua Wu, our co-founder and director, have considerable influence over matters requiring shareholder approval. Due to our dual-class voting structure, our ordinary shares consist of Class A ordinary shares and Class B ordinary shares. Based on our dual-class voting structure, on a poll, holders of Class A ordinary shares are entitled to one vote per share in respect of matters requiring the votes of shareholders, while holders of Class B ordinary shares are entitled to ten votes per share. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any sale, transfer, assignment or disposition of beneficial ownership of any Class B ordinary shares by a holder thereof or a beneficial owner of such Class B ordinary shares to any person or entity which is not an affiliate of such holder or beneficial owner, such Class B ordinary shares shall be automatically and immediately converted into an equal number of Class A ordinary shares. The Class B ordinary shares beneficially owned by Mr. Vincent Wenbin Qiu and Mr. Junhua Wu, without including shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security, represent 31.1% and 12.8% of the aggregate voting power of our company, respectively, as of March 31, 2024. The interests of Mr. Vincent Wenbin Qiu and Mr. Junhua Wu may not coincide with the interests of holders of Class A ordinary shares and ADSs, and they may make decisions with which holders of Class A ordinary shares and ADSs disagree, including decisions on important topics such as the composition of the board of directors, compensation, management succession and our business and financial strategy. To the extent that the interests of Mr. Vincent Wenbin Qiu or Mr. Junhua Wu differ from the interests of holders of Class A ordinary shares and ADSs, holders of Class A ordinary shares and ADSs may be disadvantaged by any action that they may seek to pursue. This concentrated control could also discourage others from pursuing any potential merger, takeover or other change of control transactions, which could have the effect of depriving the holders of our Class A ordinary shares and our ADSs of the opportunity to sell their shares at a premium over the prevailing market price.

Holders of our Shares and/or ADSs may have difficulty effecting service of process and enforcing judgments obtained against us, our directors and our management, and the ability of U.S. or Hong Kong authorities to bring and enforce actions in the PRC may also be limited.

We are an exempted company incorporated under the laws of the Cayman Islands. We conduct a substantial portion of our operations in the PRC and substantially all of our assets are located outside the United States and Hong Kong. In addition, a majority of our directors and officers are nationals or residents of jurisdictions other than the United States and Hong Kong and a substantial portion of their assets are located outside the United States and Hong Kong. As a result, it may be difficult or impossible for our shareholders to effect service of process or bring an action against us or against them in the United States or in Hong Kong in the event that our shareholders believe that their rights have been infringed under the securities laws of the United States, Hong Kong or otherwise. Even if our shareholders are successful in bringing an action of this kind, the laws of the Cayman Islands, the PRC or other relevant jurisdiction may render our shareholders unable to enforce a judgment against our assets or the assets of our directors and officers. In addition, the SEC, the U.S. Department of Justice and other U.S. authorities may also have difficulties in bringing and enforcing actions against us or our directors or officers in the PRC.

In addition, shareholder claims that are common in the United States, including class action securities law and fraud claims, may be difficult to pursue as a matter of law or practicality in the PRC. Under the PRC Civil Procedures Law, foreign shareholders may originate actions based on PRC law against a company in the PRC for disputes if they can establish sufficient nexus to the PRC for a PRC court to have jurisdiction, and meet other procedural requirements, including, among others, the plaintiff must have a direct interest in the case and there must be a concrete claim, a factual basis and a cause for the suit. It will be, however, difficult for U.S. and other shareholders to originate actions against us in the PRC in accordance with PRC laws because we are incorporated under the laws of the Cayman Islands and it will be difficult for U.S. and other shareholders, by virtue only of holding the ADSs and/or our ordinary shares, to establish a connection to the PRC for a PRC court to have jurisdiction as required under the PRC Civil Procedures Law. For a discussion of significant differences between the provisions of the Companies Act of the Cayman Islands and the laws applicable to companies incorporated in the United States and their shareholders, see “Item 10. Additional Information - B. Memorandum and Articles of Association - Differences in Corporate Law.”

It may be difficult for overseas regulators to conduct investigations 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. With respect to foreign regulatory investigations, 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 mechanisms. 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 interpretations 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 you may face in protecting your interests. With respect to both foreign regulatory investigations and foreign litigation, Article 36 of the Data Security Law, or Article 36, which took effect in September 2021, prescribes that any organization or individual within the territory of the PRC shall not provide any foreign judicial authority and law enforcement with any data stored within the territory of the PRC without the approval of the competent authority of the PRC. Since detailed interpretation of or implementation rules under Article 36 have yet to be promulgated, the ambiguity of “competent authority” for approving data exportation and its relations with other applicable legal provisions including Article 177 may further increase difficulties faced by you in protecting your interests.

The different characteristics of the capital markets in Hong Kong and the U.S. may negatively affect the trading prices of our Class A ordinary shares and ADSs.

We are subject to Hong Kong and Nasdaq listing and regulatory requirements concurrently. The Hong Kong Stock Exchange and the Nasdaq Global Select Market have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading prices of our Class A ordinary shares and our ADSs may not be the same, even allowing for currency differences. Fluctuations in the price of our ADSs due to circumstances peculiar to the U.S. capital markets could materially and adversely affect the price of the Class A ordinary shares, or vice versa. Certain events having significant negative impact specifically on the U.S. capital markets may result in a decline in the trading price of our Class A ordinary shares notwithstanding that such event may not impact the trading prices of securities listed in Hong Kong generally or to the same extent, or vice versa. Because of the different characteristics of the U.S. and Hong Kong capital markets, the historical market prices of our ADSs may not be indicative of the trading performance of the Class A ordinary shares.

Exchange between our Class A ordinary shares and our ADSs may adversely affect the liquidity and/or trading price of each other.

Our ADSs are currently traded on the Nasdaq Global Select Market and our Class A ordinary shares are currently traded on the Hong Kong Stock Exchange. Subject to compliance with U.S. securities law and the terms of the deposit agreement, holders of our Class A ordinary shares may deposit Class A ordinary shares with the depository in exchange for the issuance of our ADSs. Any holder of ADSs may also withdraw the underlying Class A ordinary shares represented by the ADSs pursuant to the terms of the deposit agreement for trading on the Hong Kong Stock Exchange. In the event that a substantial number of Class A ordinary shares are deposited with the depository in exchange for ADSs or vice versa, the liquidity and trading price of our Class A ordinary shares on the Hong Kong Stock Exchange and our ADSs on the Nasdaq Global Select Market may be adversely affected.

The time required for the exchange between Class A ordinary shares and ADSs might be longer than expected and investors might not be able to settle or effect any sale of their securities during this period, and the exchange of Class A ordinary shares into ADSs involves costs.

There is no direct trading or settlement between the Nasdaq Global Select Market and the Hong Kong Stock Exchange on which our ADSs and the Class A ordinary shares are traded. In addition, the time differences between Hong Kong and New York and unforeseen market circumstances or other factors may delay the deposit of Class A ordinary shares in exchange of ADSs or the withdrawal of Class A ordinary shares underlying the ADSs. Investors will be prevented from settling or effecting the sale of their securities during such periods of delay. In addition, there is no assurance that any exchange of Class A ordinary shares into ADSs (and vice versa) will be completed in accordance with the timelines investors may anticipate.

Furthermore, the depository for the ADSs is entitled to charge holders fees for various services, including for the issuance of ADSs upon deposit of Class A ordinary shares, cancellation of ADSs, distributions of cash dividends or other cash distributions, distributions of ADSs pursuant to share dividends or other free share distributions, distributions of securities other than ADSs and annual service fees. As a result, shareholders who exchange Class A ordinary shares into ADSs, and vice versa, may not achieve the level of economic return the shareholders may anticipate.

Since we are a Cayman Islands company, the rights of our shareholders may be more limited than those of shareholders of a company organized or incorporated in the United States or Hong Kong.

Under the laws of some jurisdictions in the United States, majority and controlling shareholders generally have certain fiduciary responsibilities to the minority shareholders. Shareholder action must be taken in good faith, and actions by controlling shareholders which are obviously unreasonable may be declared null and void. Cayman Islands law protecting the interests of minority shareholders may not be as protective in all circumstances as the law protecting minority shareholders in some U.S. jurisdictions. In addition, the circumstances in which a shareholder of a Cayman Islands company may sue the company derivatively, and the procedures and defenses that may be available to the company, may result in the rights of shareholders of a Cayman Islands company being more limited than those of shareholders of a company organized in the United States.

Moreover, our directors have the power to take certain actions without shareholder approval which would require shareholder approval under the laws of most U.S. jurisdictions or the Hong Kong law, subject to the requirements as stipulated under the Hong Kong Listing Rules. The directors of a Cayman Islands company, without shareholder approval, may implement a sale of any assets, property, part of the business, or securities of the company, except as otherwise required under the Hong Kong Listing Rules. Our ability to create and issue new classes or series of shares without shareholder approval could have the effect of delaying, deterring or preventing a change in control of our company without any further action by our shareholders, including a tender offer to purchase our Class A ordinary shares at a premium over prevailing market prices.

Furthermore, our articles of association are specific to us and include certain provisions that may be different from common practices in Hong Kong.

Our articles of association contain anti-takeover provisions that could discourage a third party from acquiring us, which could limit our shareholders' opportunity to sell their ADSs and/or Class A ordinary shares at a premium.

Our sixth amended and restated articles of association contain provisions which have the potential to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. For example, 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 other rights, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our Class A ordinary shares, in the form of ADS or otherwise, at such time and on such terms as they may think appropriate. In the event these preferred shares have better voting rights than our Class A ordinary shares, in the form of ADSs or otherwise, they could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs and/or Class A ordinary shares may fall and the voting and other rights of the holders of our Class A ordinary shares and ADSs could be materially and adversely affected.

We are permitted to rely on exemptions from certain corporate governance standards applicable to Hong Kong listed issuers under the Hong Kong Listing Rules, which may afford less protection to holders of our ordinary shares.

Our Company is controlled through weighted voting rights. Each Class A ordinary share entitles the holder to exercise one vote, and each Class B ordinary share entitles the holder to exercise ten votes, respectively, on any resolution tabled at our Company's general meetings, except as may otherwise be required by law or the Hong Kong Listing Rules or provided for in our memorandum and articles of association. Our weighted voting rights structure is specific to us and contain certain features that are different from the requirements under Chapter 8A of the Hong Kong Listing Rules.

In particular, our weighted voting rights, or WVR, beneficiaries do not own collectively at least 10% of the underlying economic interest in our total issued share capital at the time of the listing of our Class A ordinary shares on the Hong Kong Stock Exchange. Our weighted voting rights structure does not contain sunset provisions under Rule 8A.17 of the Hong Kong Listing Rules which require cessation of weighted voting rights under certain circumstances. Rule 8A.24 of the Hong Kong Listing Rules requires weighted voting rights to be disregarded on any resolution to approve certain matters including (i) changes to the listed issuer's constitutional documents, however framed; (ii) variation of rights attached to any class of shares; (iii) the appointment or removal of an independent non-executive director; (iv) the appointment or removal of auditors; and (v) the voluntary winding-up of the listed issuer. Under our WVR structure, each Class B ordinary share shall be entitled to ten votes on all matters subject to vote at general meetings of our Company, except as may otherwise be required by law or provided for in our memorandum and articles of association.

As we are a "Grandfathered Greater China Issuer" as defined in Chapter 1 of the Hong Kong Listing Rules and satisfy the qualification requirements under rule 8A.06 and has a track record of good regulatory compliance of at least two full financial years on a "Qualifying Exchange" (as defined in Chapter 1 of the Hong Kong Listing Rules) of primary listing, by virtue of Rule 8A.46(a) of the Hong Kong Listing Rules, the requirements under Rules 8A.07 to 8A.36, 8A.43 and 8A.44 of the Hong Kong Listing Rules are not applicable to us. Under paragraph 3.48 of the Hong Kong Stock Exchange's Guidance Letter HKEX-GL112-22, we, as a Grandfathered Greater China Issuer, are allowed to retain our existing weighted voting rights structure after we became primary listed on the Hong Kong Stock Exchange on November 1, 2022. We have relied on and intend to continue to rely on these exemptions. As a result, our shareholders may not be provided with the benefits of certain corporate governance requirements of the Hong Kong Listing Rules.

The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements. If the PCAOB in the future determines again that it is unable to inspect and investigate accounting firms in certain jurisdictions including where the office of our auditor is located, we and investors in our ADSs would be deprived of the benefits of such PCAOB inspections.

Our auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. According to a report issued by the PCAOB on December 16, 2021, mainland China, where the office of our auditor is located, was determined as one of the jurisdictions that the PCAOB was unable to conduct inspections and investigations completely. As a result, we and investors in our ADSs were deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China in the past had made it more difficult to evaluate the effectiveness of our independent registered public accounting firm's audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. As of the date of this annual report, the PCAOB has not issued any new determination that it is unable to inspect or investigate completely registered public accounting firms headquartered in any jurisdiction. For this reason, we do not expect to be identified as a Commission-Identified Issuer under the HFCAA after we file this annual report on Form 20-F. However, if the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we and investors in our ADSs would be deprived of the benefits of the PCAOB inspections again, which could cause investors and potential investors in our ADSs to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

Our ADSs may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely registered public accounting firms in certain jurisdictions including where the office of our auditor is located. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

Pursuant to the HFCAA, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspections by the PCAOB for two consecutive years, the SEC will prohibit our shares or ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States. On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong and our auditor was subject to that determination. In May 2022, the SEC conclusively listed us as a Commission-Identified Issuer under the HFCAA following the filing of our annual report on Form 20-F for the fiscal year ended December 31, 2021. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms.

In view of the PCAOB's December 2021 decision and until such time as the PCAOB issues any new adverse determination, the SEC has stated that there are no issuers at risk of having their securities subject to a trading prohibition under the HFCAA. However, whether the PCAOB will continue to be able to satisfactorily conduct inspections of PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong is subject to uncertainty and depends on a number of factors out of our control. If, in the future, the PCAOB determines that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. In accordance with the HFCAA, our securities would be prohibited from being traded on a national securities exchange or in the over-the-counter trading market in the United States if we are identified as a Commission-Identified Issuer for two consecutive years in the future.

If our shares and ADSs are prohibited from trading in the United States, we cannot assure you that an active trading market for our Class A ordinary shares on the Hong Kong Stock Exchange will be sustained or that the ADSs can be converted and traded with sufficient market recognition and liquidity. A prohibition of being able to trade in the United States would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our ADSs. Also, such a prohibition would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition, and prospects.

As a foreign private issuer in the U.S., we are permitted to, and we may, rely on exemptions from certain Nasdaq corporate governance standards applicable to domestic U.S. issuers. This may afford less protection to holders of our ADSs and Class A ordinary shares.

We are exempted from certain corporate governance requirements of the Nasdaq Stock Market Rules by virtue of being a foreign private issuer in the U.S. 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 domestic U.S. companies listed on The Nasdaq Stock Market. The standards applicable to us are considerably different than the standards applied to domestic U.S. issuers. For instance, we are not required to:

- have a majority of the board be independent;
- have a nominating and corporate governance committee consisting entirely of independent directors;
- solicit proxies and hold an annual general meeting of shareholders no later than one year after the end of the issuer's fiscal year-end;
- have regularly scheduled executive sessions with only independent/non-management directors; or
- have executive sessions of solely independent directors each year.

We followed our home country practice that does not require us to solicit proxy and hold an annual general meeting of shareholders for the years of 2017, 2018, 2019 and 2020.

The Nasdaq Stock Market Rules require that a majority of a Nasdaq-listed company's board of directors be independent directors. Our Cayman Islands counsel has provided a letter to The Nasdaq Stock Market dated August 10, 2020 certifying that under Cayman Islands law, we are not required to follow or comply with the requirement that a majority of our board members be independent directors. As of the date of this annual report, our board of directors consists of seven directors, three of which meet the "independence" requirements of the Nasdaq Stock Market Rules.

We have relied on and intend to continue to rely on some of these exemptions. As a result, our shareholders may not be provided with the benefits of certain corporate governance requirements of the Nasdaq Stock Market Rules.

As a foreign private issuer in the U.S., we are exempt from certain disclosure requirements under the Exchange Act, which may afford less protection to holders of our ordinary shares and/or ADSs than they would enjoy if we were a domestic U.S. company.

As a foreign private issuer in the U.S., we are exempt from, among other things, the rules prescribing the furnishing and content of proxy statements under the Exchange Act. In addition, our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit and recovery provisions contained in Section 16 of the Exchange Act. We are also not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as domestic U.S. companies with securities registered under the Exchange Act. As a result, holders of our ADSs and ordinary shares may be afforded less protection than they would under the Exchange Act rules applicable to domestic U.S. companies.

Holders of our ADSs, may have fewer rights than holders of our Class A ordinary shares and must act through the depository to exercise those rights.

Holders of ADSs do not have the same rights as our registered shareholders. The holders of our ADSs will not have any direct right to attend general meetings of our shareholders or to directly cast any votes at such meetings. The holders of our ADSs will only be able to exercise the voting rights which are carried by the underlying Class A ordinary shares represented by their ADSs indirectly by giving voting instructions to the depository in accordance with the provisions of the deposit agreement. Under the deposit agreement, the holders of our ADSs may vote only by giving voting instructions to the depository. Upon receipt of the voting instructions from the holders of our ADSs, the depository will vote the underlying Class A ordinary shares represented by their ADSs in accordance with these instructions. The holders of our ADSs will not be able to directly exercise their right to vote with respect to the underlying Class A ordinary shares unless they withdraw such shares and become the registered holder of such shares prior to the record date for the general meeting. Under our articles of association, the minimum notice period required to be given by us to our registered shareholders to convene an annual general meeting is 21 calendar days, and the minimum notice period to be given by us to our registered shareholders to convene any extraordinary general meeting is 14 calendar days. When a general meeting is convened, the holders of our ADSs may not receive sufficient advance notice of the meeting to permit the holders of our ADSs to withdraw the underlying Class A ordinary shares represented by their ADSs and become the registered holder of such shares to allow the holders of our ADSs to attend the general meeting and to cast their vote directly with respect to any specific matter or resolution to be considered and voted upon at the general meeting. Furthermore, under our articles of association, for the purposes of determining those shareholders who are entitled to attend and vote at any general meeting, our directors may close our register of members and/or fix in advance a record date for such meeting, and such closure of our register of members or the setting of such a record date may prevent the holders of our ADSs from withdrawing the underlying Class A ordinary shares represented by their ADSs and becoming the registered holder of such shares prior to the record date, so that they would not be able to attend the general meeting or to vote directly. If we ask for their instructions, the depository will notify the holders of our ADSs of the upcoming vote and will arrange to deliver our voting materials to them. We cannot assure the holders of our ADSs that they will receive the voting materials in time to ensure that they can instruct the depository to vote the underlying Class A ordinary shares represented by their ADSs. In addition, the depository and its agents will not be responsible for any failure to carry out any instructions to vote any of the underlying Class A ordinary shares represented by the ADSs, for the manner in which any voting instructions are given, including instructions to give a discretionary proxy to a person designated by us, for the manner in which any vote is cast, including, without limitation, any vote cast by a person to whom the depository is instructed to grant a discretionary proxy, or for the effect of any such vote. This means that the holders of our ADSs may not be able to exercise their right to direct how the underlying Class A ordinary shares represented by their ADSs are voted and they may have no legal remedy if the underlying Class A ordinary shares represented by their ADSs are not voted as they requested. In addition, in their capacity as an ADS holder, the holders of our ADSs will not be able to call a shareholders' meeting.

Right of holders of our ADSs to participate in any future rights offerings may be limited, which may cause dilution to your holdings.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to holders of our ADSs in the United States unless we register both the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Under the deposit agreement, the depository will not make rights available to holders of our ADSs unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act or exempt from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective and we may not be able to establish a necessary exemption from registration under the Securities Act. Accordingly, holders of our ADSs may be unable to participate in our rights offerings and may experience dilution in their holdings.

Holders of our ADSs may not receive cash dividends if the depositary decides it is impractical to make cash dividends available to holders of our ADSs.

The depositary will pay cash dividends on the ADSs only to the extent that we decide to distribute dividends on our Class A ordinary shares or other deposited securities, and we do not have any present plan to pay any cash dividends on our Class A ordinary shares in the foreseeable future. To the extent that there is a distribution, the depositary of our ADSs has agreed to pay to holders of our ADSs the cash dividends or other distributions it or the custodian receives on our Class A ordinary shares or other deposited securities after deducting its fees and expenses. Holders of our ADSs will receive these distributions in proportion to the number of Class A ordinary shares their ADSs represent. However, the depositary may, at its discretion, decide that it is inequitable or impractical to make a distribution available to any holders of ADSs. For example, the depositary may determine that it is not practicable to distribute certain property through the mail, or that the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may decide not to distribute such property to holders of our ADSs.

Holders of our ADSs may be subject to limitations on transfer of their ADSs.

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 deems 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.

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

A non-United States corporation will be deemed as a passive foreign investment company, or PFIC, for the United States federal income tax purposes for any taxable year if either (i) at least 75% of its gross income for such year is passive income or (ii) at least 50% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce or are held for the production of passive income. A separate determination must be made after the close of each taxable year as to whether a non-United States corporation is a PFIC for that year.

We believe we were not a PFIC for the taxable year ended December 31, 2023, and we do not expect to become a PFIC in the foreseeable future. No assurance can be given as to our PFIC status, however, since the PFIC rules are uncertain in several respects and the determination of whether we are a PFIC for any taxable year is a fact-intensive inquiry that can only be made after the end of the year and depends on the market price of our ADSs, which may fluctuate significantly, as well as the composition of our income and assets during the year. In particular, any significant decline in the market price of our ADSs increases the risk of us becoming a PFIC. The market price of our ADSs may continue to fluctuate considerably and, consequently, we cannot assure you of our PFIC status for any taxable year. The composition of our income and assets may also be affected by how, and how quickly, we use our liquid assets. See “Item 10. Additional Information — E. Taxation — Taxation of Dividends and Other Distributions on the ADSs or Ordinary Shares — Passive Foreign Investment Company.”

If we were treated as a PFIC, such characterization could result in adverse United States federal income tax consequences to a United States investor. For example, if we were treated as a PFIC, our United States investors could become subject to increased tax liabilities under United States federal income tax laws and regulations and would become subject to burdensome reporting requirements. See “Item 10. Additional Information — E. Taxation — Taxation of Dividends and Other Distributions on the ADSs or Ordinary Shares - Passive Foreign Investment Company.”

Changes in our United States federal income tax classification, or that of our subsidiaries, could result in adverse tax consequences to our 10% or greater U.S. shareholders.

We do not believe that we, or any of our non-U.S. subsidiaries, are controlled foreign corporations (“CFCs”) based upon the ADSs or shares owned directly by U.S. shareholders. However, we or certain of our non-U.S. subsidiaries may be classified as CFCs depending on the U.S. holdings of certain of our non-U.S. shareholders. This classification could cause significant and adverse U.S. tax consequences for our U.S. shareholders that own, or are considered to own, as a result of the attribution rules, 10% or more of the voting power or value of the stock of us or our non-U.S. subsidiaries (a “10% U.S. shareholder”) or any person who becomes a 10% U.S. shareholder under the U.S. Federal income tax law applicable to owners of CFCs. Therefore, 10% U.S. shareholders (if any) and persons considering becoming 10% U.S. shareholders are strongly urged to consult their tax advisors regarding the U.S. Federal income tax law applicable to owners of CFCs.

There is uncertainty as to whether Hong Kong stamp duty will apply to the trading or conversion of our ADSs.

In connection with the Hong Kong IPO, we established a branch register of members in Hong Kong, or the Hong Kong share register. Our Class A ordinary shares that are traded on the Hong Kong Stock Exchange, including those issued in the Hong Kong IPO and those that may be converted from ADSs, are registered on the Hong Kong share register, and the trading of these Class A ordinary shares on the Hong Kong Stock Exchange are subject to the Hong Kong stamp duty. To facilitate ADS-Class A ordinary share conversion and trading between The Nasdaq Stock Market and the Hong Kong Stock Exchange, we have moved a portion of our issued Class A ordinary shares from our Cayman share register to our Hong Kong share register.

Under the Hong Kong Stamp Duty Ordinance, any person who effects any sale or purchase of Hong Kong stock, defined as stock the transfer of which is required to be registered in Hong Kong, is required to pay Hong Kong stamp duty. The stamp duty is currently set at a total rate of 0.2% of the greater of the consideration for, or the value of, shares transferred, with 0.1% payable by each of the buyer and the seller.

To the best of our knowledge, Hong Kong stamp duty has not been levied in practice on the trading or conversion of ADSs of companies that are listed in both the United States and Hong Kong and that have maintained all or a portion of their ordinary shares, including ordinary shares underlying ADSs, in their Hong Kong share registers. However, it is unclear whether, as a matter of Hong Kong law, the trading or conversion of ADSs of these dual-listed companies constitutes a sale or purchase of the underlying Hong Kong-registered ordinary shares that is subject to Hong Kong stamp duty. We advise investors to consult their own tax advisors on this matter. If Hong Kong stamp duty is determined by the competent authority to apply to the trading or conversion of our ADSs, the trading price and the value of your investment in our ADSs or ordinary shares may be affected.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We, Baozun Inc., are an exempted company incorporated under the laws of the Cayman Islands on December 17, 2013. We changed our holding company’s name from Baozun Cayman Inc. to Baozun Inc. in March 2015.

We are a holding company and operate our business through our consolidated subsidiaries, our VIE and its subsidiaries. We commenced operations to provide brand e-commerce solutions in China in August 2007 through Shanghai Baozun, a PRC limited liability company founded by our Chief Executive Officer, Mr. Vincent Wenbin Qiu, Mr. Junhua Wu, Mr. Michael Qingyu Zhang and several other individual investors, or collectively, the Founding Shareholders. Shanghai Baozun, our wholly-owned subsidiary, provides integrated brand-e-commerce solutions to our brand partners, including IT services, store operations, digital marketing, customer services, warehousing and fulfillment.

In March 2010, we incorporated our wholly-owned subsidiaries, Shanghai Bodao e-commerce Limited, or Shanghai Bodao, and Shanghai Yingsai Advertisement Limited, or Shanghai Yingsai, in China. In December 2011, to further develop our e-commerce solutions business, we incorporated our wholly-owned subsidiary, Shanghai Fengbo E-commerce Limited, or Shanghai Fengbo, in China. Shanghai Fengbo and Shanghai Bodao provide brand e-commerce solutions to our brand partners, and Shanghai Yingsai provides marketing services to our brand partners. As we began to expand our business outside of mainland China, we established Baozun Hongkong Limited in September 2013, which serves as our operation center in Hong Kong. In December 2013, we incorporated our holding company, Baozun Cayman Inc., under the laws of the Cayman Islands. We incorporated Baozun Hong Kong Holding Limited in January 2014 to develop our e-commerce solutions business in Hong Kong and internationally.

The operation of value-added telecommunications businesses in China requires an ICP license, and foreign ownership of value-added telecommunications business is subject to restrictions under current PRC laws, rules and regulations. We hold an ICP license through our VIE, Shanghai Zunyi, to operate our value-added telecommunications services in compliance with PRC laws and regulations. In April and July 2014, through Shanghai Baozun, we entered into certain contractual arrangements with Shanghai Zunyi and its shareholders under which we gained effective control over the operations of Shanghai Zunyi, which currently provides brand e-commerce service to our brand partners.

In October 2014, we established Taiwan Baozun Corporation, a wholly-owned subsidiary, to expand our provision of brand e-commerce solutions to the Taiwan market.

On May 21, 2015, our ADSs commenced trading on The Nasdaq Global Select Market under the symbol “BZUN.”

In October 2015, we established Baozun (Japan) Limited, a wholly-owned subsidiary, seeking to introduce more Japanese brands to Chinese consumers.

In July 2016, we established a wholly-owned subsidiary, Baotong E-Logistics Supply Chain (Suzhou) Co., Ltd., or Baotong E-Logistics, to provide warehousing and logistics solutions. In March 2017, we established another wholly-owned subsidiary, Baotong E-Logistics Technology (Suzhou) Limited to substitute Baotong E-Logistics in providing warehousing and logistics solutions.

In September 2016, we established our joint venture, Baozun-CJ, with CJ O Shopping, a division of CJ Group, a Korean culture and lifestyle conglomerate, to introduce highly sought-after Korean brands to Chinese consumers.

In December 2016, we completed a follow-on public offering of our ADSs, in which we issued and sold an aggregate of 9,000,000 Class A ordinary shares represented by 3,000,000 ADSs at US\$12.25 per ADS and the selling shareholders sold an aggregate of 3,000,000 ADSs. The aggregate price of the offering amount registered and sold by us was approximately US\$36.8 million, of which we received net proceeds of approximately US\$33.1 million, after deducting underwriting discounts and commissions and offering expenses payable by us.

In June 2017, we established an innovation center, which focuses on enhancing our IT capabilities and helps us shape the market by developing and standardizing new services such as cloud-based operating platforms, big data analysis tools for brand e-commerce, the implementation of artificial intelligence in brand e-commerce over time and upgrade of current technology systems, in order to serve a wider variety of brand partners and other customers with a broader array of services.

In May 2018, we launched our slogan “Technology empowers future success” as technology is our key growth driver for the future. We believe innovative technologies will empower a revolution in e-commerce, and digitization and innovation will continue to underpin growth in the retail industry. In 2019, we upgraded to a hybrid cloud infrastructure - Baozun Hybrid Cloud - to enhance our storing and computing capabilities. We have integrated and migrated our core e-commerce systems and applications to Baozun Hybrid Cloud, which helped us better utilize cloud computing, enhance the scalability of our business, and improve cost efficiency.

In April 2019, we completed an offering of US\$225 million of the 2024 Notes, and the sale of an additional US\$50 million in aggregate principal amount of the 2024 Notes pursuant to the exercise by the initial purchasers in full of an option to purchase additional Notes, pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended (collectively, the “Notes Offering”). We received net proceeds from the Notes Offering of approximately US\$269.0 million. Concurrently with the closing of the offering of the 2024 Notes, we also completed an offering of 4,230,776 ADSs (“Borrowed ADSs”), as we entered into the ADS lending agreements with the ADS Borrowers. We did not receive any proceeds from the sale of the initial Borrowed ADSs, but received a nominal lending fee from the ADS Borrowers. In March 2022, we entered into separate and individually privately negotiated transactions with certain holders of the 2024 Notes to repurchase approximately US\$166.3 million principal amount of the 2024 Notes. On April 1, 2022, we announced a tender offer to repurchase the outstanding 2024 Notes, which were fully repurchased on May 2, 2022. The Borrowed ADSs were also returned and cancelled in June 2022.

In September 2020, we completed a global offering of 40,000,000 Class A ordinary shares, which began trading on the Main Board of the Hong Kong Stock Exchange on September 29, 2020 under the stock code “9991.” The gross proceeds to us from the global offering, before deducting underwriting fees and the offering expenses, was approximately HK\$3,316.0 million (US\$425.2 million). On October 23, 2020, the underwriters partially exercised the over-allotment option in respect of an aggregate of 3,833,700 Class A ordinary shares. We received total net proceeds of approximately HK\$3,511.4 million (US\$450.2 million) after deducting offering expenses payable by us in relation to the global offering and the exercise of the over-allotment option.

Throughout 2021, the rapidly evolving e-commerce industry in China witnessed weak consumer sentiment and persistent negative impacts due to the COVID-19 pandemic and the Better Cotton Initiatives. We adapted quickly by adjusting our strategy and optimizing resource allocations towards diversification so as to balance against the market headwinds. In addition, we accelerated our efforts to help our brand partners expedite digital transformation and innovation in the fast-evolving China e-commerce industry.

In 2021, we launched a proprietary intelligent customer service management system called “Service Anywhere,” or S-ANY, to unify workflow dispatching, training and resource management and to improve consumer journey and ultimately to facilitate transactions. Meanwhile, we continued to upgrade our operating platforms and middle office for better process re-engineering, and to make our automation more digitized, centralized, and integrated. We scaled up two regional service centers in Nantong and Hefei in 2021 to complement our powerful operation and technology infrastructure to further optimize resource allocation and drive efficiency.

In addition, we acquired several complementary business in 2021, including Full Jet Limited, or Full Jet, a strategic and brand-focused industry expert that specializes in developing go-to-market strategies for high-end and luxury brands entering the Chinese market; Shanghai Yi Shang Network Information Co., Limited, or eFashion, a leading e-commerce solutions provider for fashion brands focusing on bringing international fashion brands to China; Shanghai Morefun Information Technology Co., Ltd., or MoreFun, a technology-oriented digital marketing solution provider in China’s e-commerce industry; Suzhou Baoleantone International Logistics Co., Ltd, or BolTone, a warehouse and supply chain service provider in mainland China; and Bao Best IOT Technology (Suzhou) Co., Ltd., or BaoBest, a supply chain businesses operator in mainland China. We target to acquire complementary businesses that enhance our vertical competitiveness, expand economies of scale, and help make our business portfolio more resilient and balanced. We anticipate that mergers and acquisitions will become an incremental driver for our value proposition to our brand partners and growth prospects.

In June 2019, we established a wholly-owned subsidiary, Baotong, in Cayman Islands as a holding company to hold 100% of the equity interest in Baotong E-Logistics Technology (Suzhou) Limited. In September 2021, Baozun and Baotong entered into a share purchase and subscription agreement with Cainiao, pursuant to which Cainiao made 30% equity investment in Baotong at a total consideration of US\$217.9 million. Baozun, Baotong and Cainiao also entered into a business cooperation agreement aiming to further explore and develop fulfillment and e-commerce opportunities. Combining Baotong’s outstanding customer-centric services with Cainiao’s large economies of scale and infrastructures, we believe our integrated service offerings will advance to the next level, especially the apparel and luxury categories, in being more premium, customized, diversified, and omni-channel. As of the date of this annual report, Cainiao’s shareholding in Baotong was increased to 37% due to the pre-money valuation adjustment as specified in the Shareholders Agreements entered into among us, Baotong and Cainiao.

In 2022, we further expanded our regional service centers towards more cities, more staff and more functions to reduce costs, increase efficiency and improve service quality. Specifically, more than 1,600 of our customer service staff are located in regional service centers. Function wise, our multi-location service centers now comprise multiple services such as operations, customer service, digital marketing and IT solutions.

In 2022, we launched Baozun Omni-Channel Digital Operating Platform to deepen the commercialization of technology and explore new market opportunities. Baozun Omni-Channel Digital Operating Platform enables multiple channel order fulfillment and delivers powerful omni-channel D2C, data intelligence and decision support functionalities to our brand partners.

In November 2022, we voluntarily converted our secondary listing status to a primary listing status on the Hong Kong Stock Exchange. We are now a dual primary listed company on both the Hong Kong Stock Exchange and the Nasdaq Global Select Market, and our ADSs listed on the Nasdaq Global Select Market and the Class A ordinary shares listed on the Hong Kong Stock Exchange remain fungible and convertible in both directions, subject to certain limitations. See “Item 3. Key Information - D. Risk Factors – Risks related to Our Ordinary Shares and ADSs – We are permitted to rely on exemptions from certain corporate governance standards applicable to Hong Kong listed issuers under the Hong Kong Listing Rules, which may afford less protection to holders of our ordinary shares.”

On November 8, 2022, our wholly-owned subsidiary, White Horse Hongkong Holding Limited, entered into a share purchase agreement with The Gap, Inc. (“Gap”) and Gap (UK Holdings) Ltd. for the acquisition of the entire equity interests of two of its operating entities, Gap (Shanghai) Commercial Co., Ltd. and Gap Taiwan Limited, which operate the whole business of Gap Greater China. In the meantime, certain affiliates of ours and Gap’s entered into a series of business arrangements through which Gap grants us the right to manufacture, market, distribute and sell Gap products in Greater China with local creation capabilities on an exclusive basis. The duration of these business arrangements totals 20 years, with an initial term of ten years that can be renewed twice with each renewal of a five-year term.

In 2023, we entered into business transformation and expanded into three major business lines, namely Baozun E-Commerce (BEC), Baozun Brand Management (BBM) and Baozun International (BZI). BEC represents our existing China e-commerce revenue source, while BBM and BZI are incremental opportunities providing tangible growth paths over the next five years. We have two operating segments starting from the first quarter of 2023, namely E-Commerce (including BEC and BZI) and Brand Management (BBM).

In February 2023, we completed the acquisition of Gap (Shanghai) Commercial Co., Ltd. and started to operate Gap’s operations in Mainland, Hong Kong and Macao, China. During the year, we prioritized on the smooth post-acquisition transition of Gap Shanghai, including efforts in refining product and merchandising strategies, building supply chain infrastructures, enhancing back-end systems and developing talent pool.

In 2023, we and ABG Hunter LLC, a subsidiary of Authentic Brands Group (“Authentic”), entered into a Hunter Greater China and Southeast Asia Term Sheet (“JV TS”), for Baozun’s acquisition of 51% equity interest in a special purpose vehicle established by ABG Hunter LLC, which holds the relevant intellectual property of Hunter brands in Greater China and Southeast Asia (“Hunter IP Holdco”). In the meantime, an affiliate of Baozun entered into a license agreement with ABG Hunter LLC through which ABG Hunter LLC will grant Baozun’s affiliate the right to manufacture, market, distribute and sell Hunter brand products in Greater China on an exclusive basis. The license agreement will be assigned by ABG Hunter LLC to Hunter IP Holdco as licensor upon the completion of the proposed transaction under the JV TS. The initial term of the license agreement ends on December 31, 2043.

In November 2023, we signed a Key Term Confirmation Letter (“Term Sheet”) with Hangzhou Location Information Technology Co., Ltd. (“Location”) and other relevant parties regarding its equity investment in Location. Baozun plans to acquire 51% of Location’s equity through capital increase and equity transfer. Location is a top-tier Douyin partner specializing in Apparel and Accessories and a pioneer in the livestreaming space. We’re thrilled about the synergistic blend of our market leadership in creative content, compelling portfolio of brand partners and profound e-commerce operating experiences with Location’s exceptional skills and insights in daily livestreaming.

Our principal executive offices are located at No. 1-9, Lane 510, West Jiangchang Road, Shanghai 200436, the People’s Republic of China. Our telephone number at this address is +86 21 6080-9991. Our agent for service of process in the United States is Cogency Global Inc. located at 122 East 42nd Street, 18th Floor, New York, NY 10168. Our Internet address is www.baozun.com. The information on our website is not a part of this document. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at the website of <http://www.sec.gov>.

B. Business Overview

We are a leader and pioneer in the brand e-commerce service industry and a digital commerce enabler in China. We empower a broad and diverse range of brands to grow and succeed by leveraging our end-to-end e-commerce service capabilities, omni-channel expertise, and technology-driven solutions.

Recognizing the growing convergence of online and offline commerce, we view this trend to be a significant opportunity. Adhering to our vision of “Technology Empowers Future Success”, our advanced technology and operating platforms serve as a unified and robust foundation that supports our expanded range of services and markets. In 2023, we expanded our businesses into three business lines – Baozun E-commerce (BEC), Baozun Brand Management (BBM) and Baozun International (BZI).



Baozun e-Commerce includes our China e-commerce businesses, such as brands’ store operations, customer services and value-added services in logistics and supply chain management, IT, and digital marketing. Baozun Brand Management engages in holistic brand management, including strategy and tactic positioning, branding and marketing, retail and e-commerce operations, supply chain and logistics, and technology empowerment. We aim to leverage our portfolio of technologies to establish longer and deeper relationships with brands. Baozun International is a long-term opportunity that we will patiently invest in and explore. We have a distinct advantage to replicate our China e-commerce success. Baozun International will empower brands with local market insights and critical e-commerce infrastructure, serving local consumers through a wide product selection and differentiated customer experience.

The expansion of Baozun group into three business lines – BEC, BBM and BZI, is aimed at creating a virtuous ecosystem in which each division brings value to the others. Our 16 years of expertise and technological advancements in the e-commerce industry have allowed us to rapidly increase our scale and establish deeper relationships with brand partners. Our strategy capitalizes on virtuous cycles and synergies across our business lines.

We have two operating segments starting from the first quarter of 2023, namely E-Commerce (including BEC and BZI) and Brand Management (BBM).

E-Commerce

Our competitive advantages have enabled us to achieve rapid growth in the number of our brand partners. We serve global leaders in their respective verticals such as Philips, Nike and Microsoft. Our ability to help brand partners navigate through the challenges imposed by COVID-19 leveraging our efficient e-commerce operational capabilities and effective omni-channel solutions demonstrates the value of our services. With our excellent performance, along with several complementary acquisition during 2023, we managed to grow our brand partners to more than 450 as of December 31, 2023.

We are able to capture the huge market opportunities with our deep understanding of the needs of various brands, which allow us to offer value propositions differentiated from other market players.

- Multi-category, multi-brand capabilities: We are capable of serving brands of different types, different scales and at different stages of development. We provide in-depth, industry specific domain knowledge across the e-commerce value chain.
- Full-scope services: We provide integrated one-stop solutions to address all core aspects of e-commerce operations, including IT solutions, online store operation, digital marketing, customer service, and warehousing and fulfilment. Our ability to provide one-stop e-commerce solutions is empowered by our proprietary and robust technology stack, including our Cloud-based System that enables efficient setup of official brand stores and official marketplace stores, ROSS that facilitates smooth and efficient online store operations, big data analytics and AI capabilities that drive our efficient and effective digital marketing solutions, Customer Relationship Management, or CRM, that supports attentive real-time pre-sale and post-sale customer services and engagement, and Order Management System, or OMS, and Warehouse Management System, or WMS, that enable integrated and reliable multi-category warehousing and fulfillment services. We constantly develop new technologies and infrastructure in order to provide innovative and reliable solutions to our brand partners.
- Omni-channel coverage: We help brand partners adapt to and thrive on China's complex e-commerce ecosystem and evolving e-commerce landscape. We enable brands to integrate online and offline operations. We help brand partners formulate and implement coherent e-commerce strategies, which requires holistic performance analysis across channels and balanced tactics for different platforms.

We are devoted to innovation in order to maintain and strengthen our market leading position, both in our business model and technology stack. Our comprehensive end-to-end service capabilities, along with our in-depth industry knowledge and integrated technology platforms and solutions, enable different brands to plan and execute e-commerce strategies efficiently. With the strong compatibility of our IT systems, we are able to provide omni-channel solutions across official brand stores, online marketplaces, such as Tmall, JD.com and Pinduoduo, and social media channels, such as WeChat Mini Programs and RED (Xiaohongshu), as well as emerging live streaming and short video platforms, such as Douyin and Kuaishou. We also help our brand partners operate on other global marketplaces such as LAZADA, SHOPEE, HKTVMALL and Yahoo Super Mall. We will continue to focus on business and technology innovation to further enhance our value proposition.

Leveraging our technology capabilities, we have continuously expanded and enhanced our service offerings to brand partners throughout our history. Our technology stack can support all categories of products and is comprised of three layers:

- Front-end systems, including various cloud-based omni-channel technology solutions, customized SaaS (software as a service) tools and efficiency-oriented applications.
- Middle-end systems, including business middle platform and data middle platform.
- Back-end infrastructure, including proprietary Baozun Hybrid Cloud with strong computing, storage and network capabilities.

Based on the different needs of our brand partners, we operate under three business models: distribution model, service fee model and consignment model. The distribution model primarily generates product sales revenue and the other two models generate services revenue.

	Distribution Model	Service Fee Model	Consignment Model
Description	Under the distribution model, we select and purchase goods from our brand partners and/or their authorized distributors and sell such goods directly to end consumers, generating product sales revenue.	Under the service fee model, we offer one or more of the following services to our brand partners: IT solutions, online store operation, digital marketing and customer services.	Under the consignment model, we offer warehousing and fulfillment services to our brand partners in addition to the service offerings under the service fee model.
Customers	End consumers	Brand partners	Brand partners
Whether we hold inventory and are subject to inventory risk	Yes We assume inventory ownership under the distribution model and thus are subject to inventory risk. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Business — If we fail to manage our inventory effectively, our results of operations, financial condition and liquidity may be materially and adversely affected.” We carefully select brand partners with low inventory risks and high growth potential for this model.	No	No

In 2021, 2022 and 2023, our total net revenues were RMB9,396.3 million, RMB8,400.6 million and RMB8,812.0 million (US\$1,241.1 million), respectively. For the same periods, net revenues from product sales accounted for 41.2%, 31.5% and 38.1%, respectively, of our total net revenues. We recorded net loss of RMB206.0 million, RMB610.4 million and RMB222.8 million in 2021, 2022 and 2023, respectively. We had non-GAAP net loss of RMB3.3 million (US\$0.5 million) in 2023, while we recorded non-GAAP net income of RMB217.4 million and RMB182.6 million in 2021 and 2022, respectively. See “Item 5. Operating and Financial Review and Prospects - A. Operating Results - Non-GAAP Financial Measures.”

Our Business Models and Solutions

Through our integrated brand e-commerce capabilities, we provide end-to-end brand e-commerce solutions that are tailored to meet our brand partners’ unique needs. We leverage our brand partners’ resources and seamlessly integrate with their back-end systems to enable data analytics for the entire transaction value chain, making our services a valuable part of our brand partners’ e-commerce functions. We are currently a Tmall “six-star” e-commerce service partner, and have been recognized as the highest ranking Tmall e-commerce service partner since Tmall introduced the grading system, based on a suite of performance measures, including operational capabilities, brand development capabilities and service ratings. In addition, we had another 13 certificates awarded by Alibaba platform. In 2023, we were also awarded as Global Operation Excellent Partner”, “Pioneer Award for Private Domain Training” and “Pioneer Award for Video Account Operation” in Tencent Intelligence Retail Qianyu Program.

Our e-commerce capabilities encompass every aspect of the e-commerce value chain, including:

- IT solutions;
- online store operation;
- digital marketing;

- customer service; and/or
- warehousing and fulfillment.

Depending on each brand partner's specific needs and characteristics of its product category, our brand partners utilize one or a combination of our solutions under one or a combination of our business models:

- distribution model;
- service fee model; and
- consignment model.

We derive revenues under our business models as follows:

Product sales revenues. We derive product sales revenues primarily through selling the products that we purchase from our brand partners and/or their authorized distributors to consumers under the distribution model.

- **Services revenues.** We derive services revenues primarily through charging brand partners and other customers fees under the service fee model and consignment model.

In 2021, 2022 and 2023, net revenues from product sales accounted for 41.2%, 31.5% and 38.1%, respectively, of our net revenues, and net revenues from service accounted for 58.8%, 68.5% and 61.9%, respectively, of our net revenues. In light of the macro-uncertainties, our strategy for product sales and distribution model is to pursue high-quality growth with a clear focus on profitability and working capital efficiency. In order to develop our brand management business line at the beginning of 2023, we acquired Gap Greater China. Gap Greater China primarily engages in retail business, resulting in incremental product sales in 2023. Consequently, our net revenues from product sales as a percentage of total net revenues increased from 31.5% in 2022 to 38.1% in 2023. Over time, we work with our brand partners under different combinations of business models to meet their evolving needs and sales objectives, as well as optimize our resource allocation. Accordingly, our revenue mix may vary over time.

Business Models

We believe our brand partners value us for our integrated e-commerce capabilities, dependable services, deep category expertise, market insight and ability to innovate and adapt to the fast-changing e-commerce market. Depending on each brand partner's specific needs and characteristics of its product category, we provide solutions to our brand partners under one or a combination of our business models: distribution model, consignment model and service fee model. There is no brand partner to which we offer all three business models.

Distribution Model

Under the distribution model, we select and purchase goods from our brand partners and/or their authorized distributors and sell goods directly to consumers through official brand stores or official marketplace stores operated by us. Therefore, our brand partners and/or their authorized distributors are deemed as our suppliers under the distribution model. We primarily generate product sales revenue under this model. In order to generate product sales, we utilize every aspect of our e-commerce capabilities. Specifically, we utilize our IT and online store operation capabilities to set up and operate online stores, including brand stores and marketplace stores. We utilize our warehousing and fulfillment capabilities to store the goods that we purchase from brand partners and deliver these goods to our consumers who purchase these goods. We utilize our customer service capability to facilitate sales and ensure our consumers are satisfied. In order to increase our product sales, we utilize our digital marketing capabilities to boost site traffic and transaction volume. When we operate stores under the distribution model, the sites will typically indicate that Baozun is the seller of the products and, when we deliver goods to our consumers, the invoices and tax receipts will typically bear our name instead of those of our brand partners. As we assume inventory ownership under the distribution model, other than quality issues, we generally are not allowed to return unsold inventories to the brand partners and/or their authorized distributors.

We adopt the distribution model primarily to cater to specific needs of brand partners for certain product categories, such as appliances and beauty and cosmetics. We implement strict screening procedures utilizing our strong data analytics capabilities in analyzing product category data and historic SKU data of brand partners and impose high thresholds on the brand partners selected for the distribution model. Based on the screening and evaluation, we carefully select competitive, reputable and reliable brands with low inventory risk and long-term potential for the distribution model. We choose to adopt the distribution model when the benefits of such model outweigh the potential risks in inventory management. We have more control over pricing and merchandising under the distribution model and can more effectively apply our e-commerce solutions, which can better improve operational efficiency and sales performance. For instance, we generally have discretion in adjusting pricing and organizing promotional events to cater to evolving market conditions and consumer needs.

Service Fee Model

Under the service fee model, we provide one or more of the following services in exchange for service fees:

- IT solutions, including consultations with brand partners, IT infrastructure setup and integration, and online store setup and design;
- online store operation , including merchandising, site content management and store event management;
- digital marketing , including marketing campaign planning and media services, social marketing, creative contents and big data support; and/or
- customer service, including pre-sale and post-sale customer services.

Our brand partners are deemed as our customers under the service fee model. We primarily generate services revenue under this model.

Consignment Model

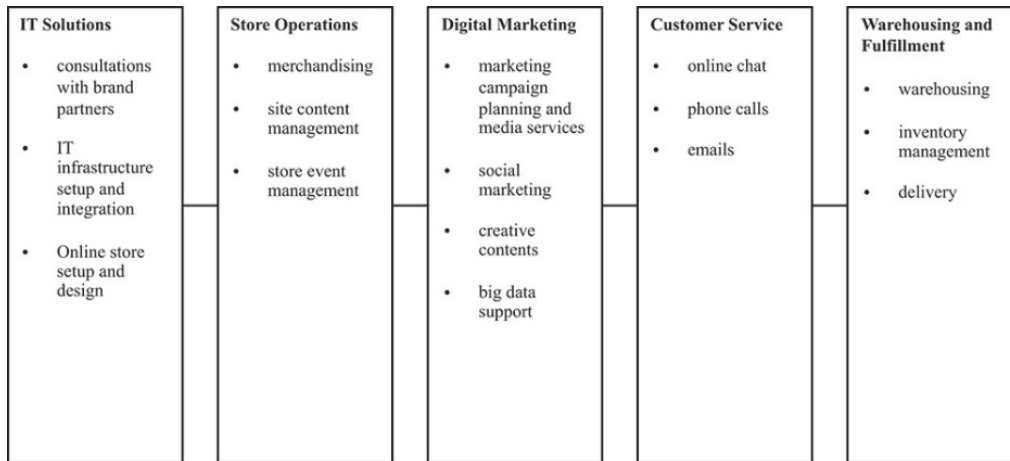
Under the consignment model, in addition to the above services we may offer under the service fee model, we also provide warehousing and fulfillment services, whereby our brand partners stock their goods in our warehouses for their own future sales and we are responsible for managing storage and delivering goods to consumers. In contrast with the distribution model, however, we do not take title to the products, do not have any latitude in establishing prices and selecting merchandise, have no discretion in selecting suppliers and generally are not involved in determining product specifications. We may also facilitate our brand partners' online sales of goods as an agent and charge our brand partners commission fees based on a pre-determined formula.

Our brand partners are deemed as our customers under the consignment model. We primarily generate services revenue under this model.

End-to-End Brand E-Commerce Capabilities

Our integrated brand e-commerce capabilities enable us to provide end-to-end solutions that encompass every aspect of the e-commerce value chain, including IT infrastructure setup and integration, online store design and setup, online store operations, visual merchandising and marketing campaigns, customer services, warehousing and order fulfillment. We utilize our capabilities and tailor our solutions to fulfill the specific needs of each brand partner. For each brand partner, we first hold consultations to determine its e-commerce needs and development plans. Each brand partner may then elect to use our full e-commerce capabilities or select specific elements of our capabilities that best fit their needs. Over the course of the collaboration, many brand partners appreciate the value we bring to them and gradually expand their engagement with us to a broader set of solutions.

The flowchart below illustrates our capabilities and the solutions we offer for each aspect of our brand e-commerce operations:



IT Solutions

With our expertise in technology infrastructure and systems, interactive page design and our deep understanding of Chinese consumers’ online shopping habits, we provide consultations to our brand partners, help our brand partners set up e-commerce sites that enhance their brands and cater specifically to local consumers. We provide proprietary e-commerce technology which can be customized to and integrated with our brand partners’ existing operational back-end systems in a convenient and cost-effective manner.

Where necessary, we also help our brand partners set up or improve the suitability of their own IT infrastructure for e-commerce operations. We have made significant investments and intend to continue to invest in developing our proprietary technology platform to deliver solutions that aim to address comprehensive e-commerce needs across different sales channels for our brand partners. Our technology systems and applications facilitate our brand partners’ digital transformation throughout their e-commerce value chain: from storefront sales to backend fulfillment, from user acquisition to customer lifecycle management, from achieving operational efficiency to gaining industry insights. Our IT services enable our brand partners to quickly adapt to the local e-commerce market and effectively service online shoppers in China without the costs associated with establishing and maintaining local infrastructure and capabilities on their own. For more information about our technology infrastructure and capabilities, please see “ — Technology Infrastructure and Business Application Portfolio.”

In addition to establishing the infrastructure for system integration, our designers help our brand partners design online stores that enhance their brand image and online presence. Our web developers also incorporate features and functions familiar to Chinese consumers to facilitate conversion of site visitors into paying consumers. Our Cloud-based System, a proprietary operations system on our cloud-based platform, enables efficient setup of official brand stores and official brand WeChat Mini Programs for our brand partners. It allows us to efficiently build up comprehensive functions necessary for an online store, such as real-time data exchange, digital marketing, order management, product recommendations, membership management, payment management, as well as O2O functions.

Online Store Operations

We believe efficient online store operations are crucial to our brand partners' e-commerce business. We staff dedicated operations teams with relevant industry expertise and brand-specific knowledge for stores we operate and maintain proprietary technology infrastructure and systems for online store operations. Our operations teams closely monitor and are responsible for all activities and the daily upkeep of online stores. The functions of the operations teams and systems broadly fall into three categories: merchandising, site content management and store event management.

- **Merchandising:** Each operations team has merchandising staff in charge of maintaining an appropriate level of inventory for online stores by procuring products to be sold on our brand partners' online stores and forecasting quantities to purchase based on expected demand. Our operations teams also assist our brand partners in launching products, managing product listing, and processing sales orders in online stores. We manage sales orders through our proprietary OMS that integrates with our other technology platforms to ensure smooth online transactions. Our merchandising staff monitors store sales through periodic sales reports.
- **Site Content Management:** In addition to providing design services during the initial store setup, we also periodically update the content in stores we operate in order to maintain the appeal of the online stores. We have a design services team that helps ensure that brands' online stores are artfully presented, and refreshed in keeping up-to-date with our brand partners' latest advertising campaigns. Our design services team regularly works with our brand partners in producing the most updated digital content, including product photography, site banners and other promotional content. For more information about our design services team, see “ — Digital Marketing — Creative Contents.”
- **Store Event Management:** Our store event management system monitors and identifies events and activities on e-commerce marketplaces or other channels, and systematically manages application and registration procedures in batch processing, including event consolidation, goods identification and data unification, and visual content organization and upload, to improve efficiency and minimize errors. With this robust system, we were able to effectively manage the number of employees engaged in our store event management functions.

Digital Marketing

We believe digital marketing is key in boosting visitor traffic, increasing conversion and overall transaction volume at online stores. Our omni-channel brand e-commerce operation capabilities enable us to effectively leverage diverse data to conduct results-driven marketing planning and execution. We have developed multi-faceted digital marketing capabilities and are able to effectively design and execute marketing plans across various online platforms, including official marketplace stores, brand stores, as well as other major and emerging online media and channels. Our digital marketing service can also be provided independently from our brand e-commerce service and is available to our non-brand partners, which serves as an additional brand partner acquisition channel.

Leveraging our experience in the e-commerce value chain, we have achieved broad awareness and recognition of our expertise in digital marketing. In the ROI Festival 2023, we won one gold prize and one bronze award, it's our first time to win a gold prize in ROI Festival which is considered as one of the most influential award ceremonies for creative marketing in Asia. In 2023, we were named as the “best marketing service provider” for the 7th consecutive year by the Golden Wheat Awards, a reputable award for the e-commerce industry. We also won the biggest award from M Awards which is regarded as one of the most important awards in the e-commerce industry. And we were recognized as the “annual TOP 10 comprehensive service provider” in 2023 Tiger Roar. In 2023 ECI Award, we won a gold prize and a bronze prize in marketing creative and product innovation. In 2023, it was certified by the marketing strength of two major platforms, won the gold medal of Ali Mama's ecological live broadcast innovation and content transformation, and Tik Tok platform marketing was the best.

As a solid partner to different platforms, we also received agency certifications from reputable marketplaces and platforms. For Alibaba Group, we have been the 6 star service provider for Alimama solution, data ISV provider, innovative engaging ISV provider as well as the leading pioneer service provider with Lingyang. Being able to be recognized as the key marketing partner on various different marketing categories, we believe we will enhance our in-depth understanding of consumer behavior, increase effectiveness of our digital marketing service, as well as further strengthen our advantage in e-commerce operations. For JD, we are also the official media partner as well as data ISV partner. We have been working closely with JD to provide a holistic engaging CRM mini-program solution which are well received by various clients. For Douyin, we became their certified ISV and were awarded as the Industry Pioneer. Finally, we are the only Tencent partner who received both excellency on eCommerce operation and technical ISV. We also have extended our media partnership to Alipay as certificated media partner in 2023.

Our digital marketing capabilities include (i) marketing campaign planning and media services; (ii) social marketing; (iii) creative content; (iv) big data support & CRM.

- **Marketing Campaign Planning and Media Services:** We provide both marketing campaign planning and media services to our customers. Our unique offering on integrated commerce marketing campaign is our data insight to our target audience as well as our in-depth knowledge of their behavior. Based on that determination, we create a tailored customer journey and communications engagement campaigns to have the most impact on the targeted audience. Our media planning capability is based on achievable ROI as well as brand building potential.

Our diversified media services on major digital platforms include but not limit to search engine optimization, brand ads, programmatic ads and feeds. For example, based on our understanding of the methodologies and mechanisms adopted by different platforms, we customize the content of the stores we operate to achieve high rankings. Where appropriate, we also help our brand partners to negotiate arrangements with platforms to use new products that can achieve higher ROI. By leveraging ISV capability, we created 5 media forces model as a synergized solution for brands to integrate in-site and out-site media planning. To optimize our efficiency and effectiveness of our media solution, we developed a media tool call Yunbian. Yunbian can help to create media plans as well as reports that can significantly help our media professionals to do media placement. Yunbian is now connected to Ali, Tencent and Jingdong. For more information about our data warehouse and reporting system, please see “ - Technology Infrastructure and Business Application Portfolio - Back-end proprietary technology infrastructure.”

- **Social Marketing:** Based on our experience, purchase decisions of Chinese e-commerce consumers are heavily influenced by recommendations from family, friends, key opinion leaders, key opinion consumers and colleagues who are considered to be trusted information sources. We are able to provide tremendous value to our brand partners by helping them formulate social marketing strategies and campaigns that encourage consumers’ engagement with their brands and drive consumers’ desire to purchase their products.

We identify preferred social media platforms for our brand partners then open and operate accounts on these platforms for our brand partners. We create and publish contents on our brand partners’ accounts, and we engage in dialogue with consumers who post on our brand partners’ accounts. We track visitors’ activities and analyze the impact of our social marketing outreach, and we also facilitate interactive marketing through livestreams and short-form videos.

We continue extending our coverage besides Alibaba Group and Douyin regarding to MCN and marketing capability, in 2023 we became the official certification Consumer data, KOL and advertising cooperation service provider of RED (Xiaohongshu). We have been closely following industry trends and remain on track to further expand our services to include a wider array of comprehensive digital marketing solutions. These solutions include new initiatives such as live streaming, key opinion leader and key opinion consumer positioning to convert marketing power into sales results.

In addition, we monitor and respond to comments about our brand partners on internet forums and product review websites. We help identify key opinion leaders on these platforms and work with them in responding to comments about our brand partners. We believe that providing meaningful feedback addressing potential customers’ concerns greatly facilitates their purchase decisions.

- **Creative Contents:** We provide our brand partners with the infrastructure and expertise for producing digital content to be used in their online stores. We operate an in-house, professional photography studio in Shanghai to create digital product images for product features, promotions and advertising campaigns. Our production services range from pre-production work such as casting, art direction and styling to post-production editing and retouching. We also possess a team of creative, data, development and AI experts. We provide a premium mini-program interactive solution. We work with industry-leading luxury brands to excel their visual presentation and technological innovation.

We have developed and utilized Yunzhuan, an AI-based automated content generator that identifies specifications of merchandise based on pictures of such merchandises using image recognition technology and automatically generates batches of promotional articles on such merchandises, which helps to reduce manual inputs and improve marketing efficiency. Yunzhuan can also do AI video editing that fits the fast-moving livestreaming environment to create product specific short video that can become social content to drive traffic.

We provide live streaming services for brands on various platforms. Our services cover the planning and production of live and short video content. We have a large and stable KOL resource to help brands screen high-quality influencers. Through data analysis, we provide brands with merchandise strategies of live streaming. The mastery of the platform's algorithm logic enables us to provide brands with refined live media placement services.

- **Big Data Support:** We work with platform to provide insightful analysis that can help brands to perform better on e-commerce. By apply these insights to create impactful marketing campaigns for our brand partners which can refine their digital marketing strategies under a results-driven approach. We have developed our own business intelligence software, which enables real-time analysis of transaction data across personal computers and mobile channels to make more targeted and insightful marketing recommendations to our brand partners. We have our self-developed data modeling. We model CLV(Customer lifetime value), the comparison of CAC(Customer acquisition/retention cost), collecting valuable consumer data throughout customer journey, to help understand customers intimately, to engage them with the right channels, and to tailor offers to their context & needs. Eventually, we help brand partners invest in customers who are lucrative for the company in the long run. We are fully participated in the product R&D with our brand partners. And developed PLV modeling to predict category trends, product lifetime value, and give operative recommendations throughout the entire product lifecycle from launch to off-shelf.

We provide a one-stop CRM service from strategy to execution. Our CDP helps brands integrate member data from different platforms, form visual dashboards, and automatically generate intelligent analysis reports. We provide customized member mini program planning, design and development for brands. We tailor activities, content and mechanisms for brands that cover the entire consumer lifecycle across platforms. We leverage AI to implement personalized content with efficiency.

Customer Service

With years of extensive experience in the field of e-commerce customer service and the aid of advanced technology, Baozun's customer service team has established a comprehensive and efficient e-commerce customer service solution, satisfying user demand for segmented and personalized services.

Baozun has a professional customer service team that provides users with 7*24 hours of end-to-end shopping guidance and after-sales service. Additionally, an industry-leading team of professional AI trainers has been equipped to improve the AI autonomous resolve rate. Combined with the Robotic Process Automation (RPA) scenarios, the occupation of customer service manpower due to repeated customer inquiries and after-sales order processing has been greatly reduced. The resources freed-up could be put into emerging high-value service scenarios including VIP exclusive service, 1V1 video shopping guides, and livestream customer service to strengthen deeper and closer contact with consumers in the new traffic fields for brand clients.

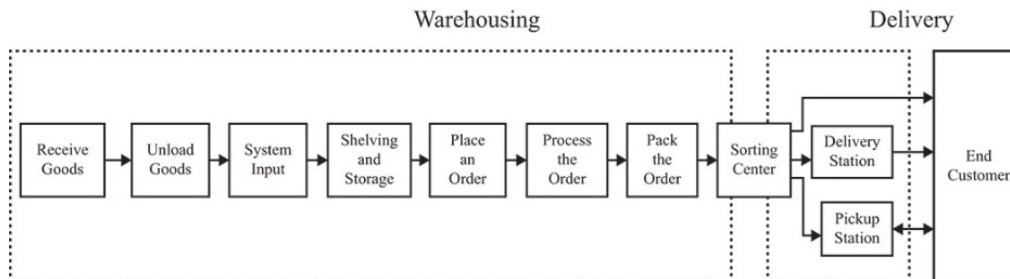
In order to meet the sustainable development of the brand business, Baozun has planned ahead and established industry-leading customer service centers in Shanghai, Nantong, Hefei, Nanchang, Rizhao, Anqing, Zhuhai, as well as in the Hong Kong and Taiwan regions of China. The years of developing a customer service talent supply chain provide a guarantee for delivering high-quality service to brands, reducing costs and increasing efficiency. In 2021, Baozun independently developed the Service Anywhere (S-ANY) customer service integration system, which includes modules such as real-time quality monitoring and on-site real-time management. Combined with a professional scope of process management, Baozun ensures that the quality and efficiency of customer service specialists are always under control. Baozun leads the way in introducing the authoritative customer service management standards Customer operations Performance Center (COPC) and "Product, Price, Promotion, Place" (4PS) Strategy in the e-commerce customer service field, providing a guarantee for continuously optimizing customer service operations and delivering excellent multi-channel services.

In 2023, we thoroughly upgraded the monitoring system for S-ANY Real-time quality control (RQC). Depending on the impact to the business, we redefined the event level standards and established an optimized feedback channel and notification strategies. This improvement significantly reduced the warning ratio, while the efficiency of store warning handling improved year-on-year.

Warehousing and Fulfillment

We offer warehousing and fulfillment services under the consignment model. We have established along the e-commerce value chain a robust logistics network and warehousing capacity to help ensure a smooth and positive shopping experience for consumers. Our WMS is customized to accommodate different needs in product specifications and can handle requirements specific to each of the eight product categories we serve. In addition to fulfilling brand partners' e-commerce orders, we have launched additional value-added services to enrich our warehouse and logistics service offerings, such as anti-counterfeit code protection, tailor-made packaging, B2B offline store fulfillment, and O2O integrated inventory management.

We adopt a flexible outsourcing logistics model with several third-party logistic partners supported by our robust and advanced WMS. We partner with leading nationwide and quality logistics service providers to ensure reliable and timely delivery to over 500 cities across China through their network. We are able to achieve next-day delivery in over 200 cities across China. The following flowchart illustrates our warehousing and fulfillment process:



In 2021, we further expanded our logistics network through our acquisitions of BolTone, which has enlarged our premium warehouse capacities and extended our vertical coverage such as fast moving consumer goods category and beauty and cosmetics category. This acquisition has also brought us more customs declaration business and B2B business opportunities.

As of December 31, 2023, we directly operated 36 warehouses with an aggregate gross floor area of over 938,000 square meters in ten cities, including Shanghai, Suzhou, Shenzhen, Guangzhou, Langfang, Chengdu, Wuxi, Kunming, Hangzhou and Jiaxing. Our directly-operated warehouses fulfilled approximately 50.4 million, 56.8 million and 68.9 million outbound orders to consumers in 2021, 2022 and 2023, respectively. Our warehouses cater to different product categories. In addition, we also collaborate with four third-party warehousing service providers and store goods in warehouses operated by them as of December 31, 2023, to better utilize warehouse resources and better serve brand partners' needs.

With our proprietary WMS, we are able to closely monitor each step of the fulfillment process from the time a purchase order from a consumer is confirmed and the product stocked in our warehouses, up to when the product is packaged and picked up by a logistics service provider for delivery to the consumer. Shipments from suppliers first arrive at our warehouses. At each warehouse, inventory is bar-coded and tracked through our WMS, allowing real-time monitoring of inventory levels across our network. Our WMS is specifically designed to support a large volume of inventory turnover. We closely monitor the speed and service quality of our logistics service providers through consumer surveys and feedbacks from consumers to ensure their satisfaction.

Brand Partners & Brand Partner Development and Services

Brand Partners

As of December 31, 2023, we provided e-commerce solutions to more than 450 brand partners primarily under service contracts with a term typically ranging from 12 months to 36 months. Our brand partners cover diverse product categories, including: apparel and accessories; appliances; electronics; home and furnishings; food and health products; beauty and cosmetics; fast moving consumer goods and mother and baby products; and automobiles. Some of our existing brand partners have had years of cooperation with us and we generated a significant portion of our net revenue through (i) the sale of products in the stores of these brands we operate under the distribution model and (ii) provision of our services to these brand partners primarily under the consignment model and service fee model. Our brand partners and/or their authorized distributors are deemed as our suppliers under the distribution model and our customers under the service fee model and consignment model.

Our contracts with our brand partners are generally not on an exclusive basis and we generally do not have contractual rights to exclusively sell the products of our brand partners on any e-commerce channel under the distribution model. As a result, we may face competitions with other brand e-commerce service providers that our brand partners work with. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Business — We may not be able to compete successfully against current and future competitors.”

Some of our contracts with existing brand partners were based on standard forms proposed by such brand partners that contain non-compete provisions prohibiting us from selling products of, or providing similar services to, competitors of such brand partners. As our business further expands, we may engage in business with multiple brand partners that may be in competition with each other. We have been transparent with our brand partners as to the other brand partners that we are cooperating with.

Brand Partner Development and Services

Brand Partner Screening and Acquisition

We have implemented a strict and methodical brand selection process. Based on our screening guidelines, we carefully select prospective brand partners, choosing to work with those that conduct business in profitable or promising industries and product categories and with long-term potential. In addition, we screen potential brand partners based on criteria such as service fees, projected profitability, projected growth outlook and proposed duration of cooperation. We also conduct due diligence reviews on our prospective brand partners’ qualifications, including whether they hold the proper business operation licenses and safety, sanitary and quality certifications, and trademark registration certificates and license agreements in relation to the branded products.

We strategically focus on brand partners in product categories that we believe will help optimize our revenue mix and improve our profitability. We intend to grow our business by adding new brand partners into our brand partner portfolio and cross sell our services. We seek to attract new brand partners by providing solutions that enable them to grow their e-commerce business more rapidly and cost-effectively than they could on their own. We have been able to use the capabilities we have developed for our existing brand partners to attract new brand partners. We also intend to attract customers with our interactive digital marketing services and technology services, and convert such customers into our brand partners.

We periodically conduct reviews on our brand partners based on category mix, profitability, growth outlook and other criteria. We have dropped a minority of brand partners to optimize our brand partner portfolio from time to time.

Brand Partner Services Team

We typically assign each brand partner a dedicated brand partner service team to offer individually tailored services and solutions. All stores across a brand partner’s different channels share the same service team to ensure seamless services to our brand partners.

Starting from 2020, we constantly reorganized the structure of our service team at the store level to consolidate certain functions so that we can consolidate and streamline our operations and expand our capacity to serve more brand partners.

Omni- Channels

We currently provide brand e-commerce services under three business models on major marketplaces, such as Tmall, JD.com and Pinduoduo, and social media channels, such as WeChat Mini Programs and RED (Xiaohongshu), as well as emerging live streaming and short video platforms, such as Douyin and Kuaishou. As of December 31, 2023, approximately 44.7% of our brand partners engaged with us for store operations of at least two channels, compared with 41.8% as of a year ago. We also operate official brand stores and provide O2O solutions to our brand partners. Enabled by our advanced technological capabilities, we can seamlessly integrate the brand partners’ operations across various channels with unified product details and consumer profiles, strategic cross-channel marketing and synchronized inventory management, which provide the brand partners with a single view of their business across different channels and platforms. We leverage all of these platforms to deliver omni-channel solutions that combine the strengths of diverse platforms to achieve optimal branding effect and sales results responsive to the e-commerce objectives of each brand partner.

Official Marketplace Stores

We maintain close working relationships with the major online marketplaces in China, such as Tmall, JD.com and Pinduoduo. Our brand e-commerce solutions benefit third-party marketplaces by helping them attract new brand retailers. As such, marketplaces are often motivated to work closely with us to facilitate our ability to connect our brand partners to their systems.

We enter into annual platform service agreements with online marketplaces to set up and maintain online stores on these channels. Pursuant to these agreements, we typically pay online marketplaces based on a pre-determined percentage of GMV for transactions settled that varies by product category, and typically ranges from 0.5% to 5.0%. We also pay annual upfront service fees to marketplaces, up to 100% of which may be refunded depending on our sales volume. We also pay upfront security deposits for potential disputes under these agreements.

Official Brand Stores and Social Media Channels

We also offer to work with our brand partners in setting up and operating their standalone official brand stores. Based on our experience, consumers expect a total brand immersion experience at an official brand store, which may involve a different presentation of a store compared to official marketplace stores that blend the brand's image with the particular marketplace's interface. We utilize our in-house design team in crafting online and mobile sites for official brand stores and mobile sites that deliver an impactful online presence for our brand partners.

We work with our brand partners to enhance awareness of their brands on social media e-commerce channels. For example, we help our brand partners set up accounts and design their homepage on WeChat official store, and/or WeChat Mini-programs, help to regularly update their accounts with stories relating to their products, activities and brands, and sustain user engagement through community groups. We provide advertising services with Wechat Mini-programs, including ROI-driven advertisement landing, traffic operation and comprehensive and integrated marketing campaign. We also monitor comments on our brand partner's accounts and work with our brand partners in responding to these comments. In addition, we help brand partners directly integrate their WeChat public accounts with their back-end systems across all marketplace platforms to enable flash sale or routine sale of branded products on social media platforms.

Our brand partners increasingly merge their view of their official brand stores and WeChat Mini-Programs into a single private domain, and as such, we have consolidated our official brand stores and WeChat Mini-Programs into a single metric. As of December 31, 2021, 2022 and 2023, we operated 95, 101 and 113 official brand stores and Wechat Mini-program stores, respectively.

Other Emerging Channels

As live streaming and short-form videos have gained increasing popularity in China in recent years, we have expanded our e-commerce solutions to cover these emerging channels. For instance, we offer digital marketing solutions that help the brand partners promote their products and increase their sales on live streaming and short video platforms, such as Douyin and Kuaishou.

O2O/New Retail Solutions

We help our brand partners devise and execute O2O and new retail strategies by integrating and utilizing their online/offline retail space and customer data to optimize sales opportunities and encourage a more connected consumer experience. Our omni-channel capabilities help our brand partners achieve optimal branding effect and sales results that are responsive to our brand partners' e-commerce objectives. We also offer our omni-channel matrix of solutions to our brand partners to help them rapidly establish an online presence. Examples of our O2O capabilities include:

- allowing consumers to place purchase orders and make payments online, and pick up or return and exchange goods offline;
- aligning consumers' online and offline loyalty programs;
- syncing online and offline QR codes;
- providing brand partners with an effective channel to interact with offline consumers and providing offline consumers with a convenient and reliable channel to online shopping via interactive screens in offline retail stores;

- devising and executing O2O strategies for traditional brands lacking IT and system integration capabilities but that have strong offline presence;
- connecting and integrating brand partners' offline stores with their official brand stores, marketplaces stores and other brand hubs ; and
- utilizing CPS (cost-per-sale), a WeChat Mini Program-based tool, to help brand partners formulate key SKU promotion strategies, design promotional events and articles, track sales performance of the sales agents by tracing the products and sales events they share and calculate commissions accordingly. CPS provides the brands with a cost effective way to stimulate the digitization of the offline sales process and facilitates traffic conversion.

Payment Service Providers

Third-party marketplaces and our brand partners' official brand stores provide consumers with the flexibility to choose from a number of payment options. These payment options include online payments with credit cards and debit cards issued by major banks in China, and payment through third-party online payment platforms, such as Alipay and WeChat Pay.

In addition, official brand stores typically offer a "payment on delivery" payment option. Our logistics partners deliver products to consumers' designated addresses and collect payment on site. In addition to accepting cash, delivery personnel carry mobile POS machines for processing debit cards and credit cards.

Logistics Partners

We deliver orders placed on stores operated by us in China through reputable third-party couriers with nationwide coverage, such as SF Express, STO Express, YTO Express, EMS and ZTO Express as well as other quality logistics service providers.

We believe our large-scale operations and reputation enable us to obtain favorable contractual terms from third-party couriers. We typically negotiate and enter into annual logistics agreements with our logistics partners, under which we agree to pay delivery fees based on the amount and the weight of the goods to be delivered, as well as the destination of the delivery.

Technology Infrastructure and Business Application Portfolio

We have made significant investments in developing our proprietary technology platform. We will continue to invest in our platform to support IT commercialization and deliver solutions that address comprehensive e-commerce needs across different sales channels for our brand partners and to enhance efficiency and scalability. Our technology systems and applications facilitate brand partners' digital transformation throughout the e-commerce value chain--from storefront sales to backend fulfillment; from consumer acquisition to customer lifecycle management; from achieving operational efficiency to gaining industry insights. We have copyrights to 293 software programs developed by us relating to various aspects of our operations as of March 31, 2024.

Our technologies span across all areas of digital commerce from business applications to data intelligence, and from technology platforms to enterprise integration. Business applications include Direct-to-Consumer touchpoints, Omni-channel business operations, and Big data business intelligence. Technical stacks encompass IaaS, PaaS, and SaaS layers.

Business applications: Direct-to-Consumer touchpoints

- Transaction Service Application: UNEX, Baozun's private domain transaction platform, supports rich interactive marketing scenarios, adopts the SaaS tenant model, and enriches private domain services of multiple brands and multiple sites. UNEX is seamlessly integrated with our e-commerce support systems such as order management system, or OMS, and warehouse management system, or WMS, to ensure synchronization across omni-channel solutions.

- Cloud-based System is a system established on our cloud infrastructure with a high level of safety and stability that enables efficient setup of official brand stores and official brand WeChat Mini Programs. It allows us to efficiently build up comprehensive functions for an online store, such as real-time data exchange, digital marketing, order management, product recommendations, membership management, payment management, as well as O2O functions. UNEX contains various prototypes to ensure greater efficiency in setting up online stores, while also supporting comprehensive customization to best fulfill brand partners' specific needs. Such a system helps us improve our operating efficiency, reduces store maintenance costs, and improves our ability to serve more brand partners. At the same time, front-end components are abstracted and updated to better serve brand partners' private domain business.
- Customer Service Application: Customer Relationship Management (CRM) system, or Shopcat, which is based on Baozun's big data platform, enables our brand partners to go through the whole range of members and precipitates consumer data assets. Supported by business oriented product design based on our big data platform, Shopcat assists operational decisions. Shopcat also integrates online and offline membership programs to facilitate our O2O initiatives. Collectively, Shopcat and business intelligence systems enable us to effectively gather, analyze and make use of internally generated customer behavior and proprietary transaction data to generate actionable insights for our brand partners.
- O2O Solutions allow brand partners to seamlessly integrate their inventories across offline and online channels to share and optimally utilize resources of products and inventories across different channels. These solutions provide seamless data integration that cover order routing, customer management, products and inventory intelligence, and delivery optimization.

Business applications: omni-channel business operations

- Construction and integration of omni-channel user-interfaces facilitate brand partners to stay engaged with consumers wherever they are. Our solutions cover brand partners' official brand stores and major online marketplaces in China, such as Tmall, JD.com and Pinduoduo, and social media channels, such as WeChat Mini Programs and RED (Xiaohongshu), as well as emerging live streaming and short video platforms, such as Douyin and Kuaishou, and offline stores.
- Merchandise Service Application: Product Information Management (PIM) system provides a one-stop digital asset management platform for brands, helping the brands quickly expand their businesses through all channels, and ensuring the consistency of product experience through all channels.
- Fulfillment Service Application: Order Management System (OMS) controls the processing of sales orders by online stores, including order data fetching and transfer, and fulfillment. This core system connects both internal and external warehousing systems and is capable of tracking order statuses. It also manages all post-sales services such as order canceling, product returns and payment refunds. OMS currently supports all channels including marketplaces and official brand stores.
- Inventory and Order Service Platform (IOSP): IOSP is designed for our omni-channel e-commerce and O2O initiatives, which instantly and precisely interlinks and synchronizes with inventories at each of our brand partners' omni-channels. It allows brands to consolidate digital inventories and to dispatch across different scenarios at each of their retail omni-channels. IOSP is comprised of two key modules: Inventory Management, which enables real-time smart inventory monitoring and management to ensure sufficient inventories across channels; and Order Routing, which assigns orders based on optimal inventory level, inventory location and fulfillment cost. IOSP helps brands reduce inventory cost, minimize overselling risk and maximize the management efficiency of inventories.
- Warehouse Management System (WMS) assists us and our brand partners in inventory management, cross-docking, pick-and-pack, packaging, labeling and sorting functions to efficiently manage warehouse workflow and enhance labor productivity. Our WMS covers brand partners' logistics needs in both B2C and B2B businesses.
- Financial Service Application: Recon-Ease provides full-domain e-commerce financial accounting solutions. Based on the best practices of financial accounting scenarios on mainstream e-commerce platforms, Recon-Ease realizes automatic financial reconciliation and efficient financial operation of online businesses.

Business applications: Big data business intelligence

- BI Applications: Baozun Business Intelligence (BBI), a prestigious data product from Baozun, has already achieved the integration of data from over 20 platforms, along with the creation of over 50 specialized business dashboards, presenting transaction data on a minute-by-minute basis. Successfully launching the new feature, BBI Mini applet, it tracks e-commerce sales data, analyses competitive store data, and rapidly generates industry briefings. The data scope encompasses all business data, offering multi-level collection and analysis capabilities.
- Artificial Intelligence Application: Baozun AI application brings continuous growth to the brand through data drive. This system seamlessly merges with data products, proffering the prowess of intelligent recommendations and the finesse of digital marketing.

Technology infrastructure

- BaaS (Business applications as a service) includes transaction, commodity, promotion, inventory, payment, order, price, membership and other modules content
- DaaS (Data applications as a service) collects and organizes data relating to product information, transaction information, consumers' geographic location and purchase history throughout all stages of business transactions.
- PaaS (Platform applications as a service) comprises Technology Platform and Data Exchange Platform. Technology Platform includes tenant management, development and operation of basic services, technical monitoring and alarm, secondary development and operation of open-source middleware, etc. Data Exchange Platform manages all data integration requirements from external parties. It supports flexible synchronization of information with any system and also acts as a buffer to help avoid overloading our core systems, such as OMS and WMS.
- Baozun Hybrid Cloud is a hybrid cloud infrastructure, upon which our proprietary technology is built. It offers secure and elastic computing power, storage, and network infrastructure, supporting our brand partners' business around the clock. It can be readily expanded internally or through public clouds (such as AliCloud, AWS cloud) to accommodate business and customer needs. Baozun Hybrid Cloud and its underlying data centers achieve multiple levels of system and network redundancies and resiliencies, and enhance our storing and computing capabilities with added flexibility to improve efficiency and reliability.

In late 2022, we began to focus our R&D efforts on the Platform layer, aiming to fundamentally enhance our technology's core competency and market competitiveness, including expediting time-to-market, optimizing cost-structure, and expanding addressable market. Specifically, the efforts involved (1) multi-cloud development lifecycle, (2) light-mode deployments, (3) internationalization, and (4) Enterprise Application Integration (EAI) standardization.

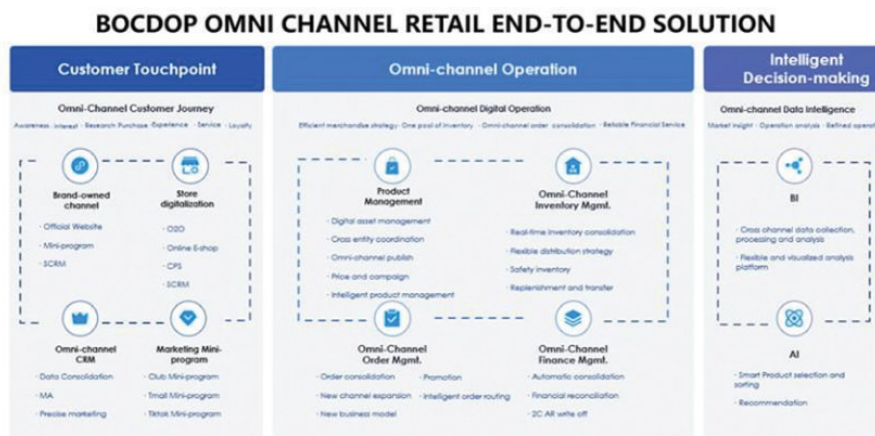
IT Commercialization

It is worth highlighting that in 2022, Baozun officially launched a new technology business brand named Baozun Omini-Channel Digital Operating Platform (“BOCDOP”), aimed at supporting the digital transformation of the retail industry. BOCDOP seamlessly integrates Baozun’s comprehensive technological capabilities, focusing not only on differentiated business layouts between different channels and the integration of online and offline channels, but also on the integration of various business forms (shelf e-commerce, social e-commerce, offline self-operation, etc.) and the hierarchical authorization of multi-organizational operation modes (group organization, brand self-operation, TP agency operation, etc.). BOCDOP also focuses on comprehensive and integrated management of back-end product operation, order fulfillment, inventory management and other aspects for multiple channels, and is committed to empowering the digital transformation of a wider global retail market by providing an end-to-end digital business solution covering brand.



In order to help brands better address the complicated and diverse scenarios of new retail business and to streamline the entire e-commerce operation process, BOCDOP introduced three key tools that comprise an end-to-end digital business solution for brands:

1. A Direct-to-Consumer comprehensive solution centered on consumers;
2. An omni-channel operation solution that focuses on rapid expansion of channel business and improving operational efficiency;
3. A big-data intelligent application that focuses on big data modeling algorithms and frontier scientific technology innovation.



BOCDOP has begun full-scale operations and is collaborating with top global industry brands to provide brand customers with technology services that cover the entire domain, including all channels and all processes.

In 2023, our IT commercialization made preliminary achievements and won a number of projects. Customers include leading brands in FMCG, trendy apparel, sport-goods, luxury and luggage industry. Meanwhile, our IT products have also gained industry recognition. In the latest Market Guide for Distributed Order Management Systems published by Gartner, published in January 2024, Baozun has become the only supplier from Asia to be included.

Brand Management

Baozun Brand Management engages in holistic brand management and serves as an all-rounded partner for global brands to further unlock their business potential in China, through strategy and tactic positioning, branding and marketing, retail and e-commerce operations, supply chain and logistics, and technology empowerment. We aim to leverage our portfolio of technologies to establish longer and deeper relationships with brands. BBM targets the mid-end and premium consumer lifestyle brands segment.

In November 2022, we entered into a share purchase agreement with The Gap, Inc. and Gap (UK Holdings) Limited. Concurrently, BBM and The Gap, Inc. established a series of business arrangements, through which The Gap, Inc. grants us the right to manufacture, market, distribute, and sell Gap products in Greater China with local creation capabilities on an exclusive basis.

In 2023, Baozun Brand Management Limited and ABG Hunter LLC, a subsidiary of Authentic Brands Group (“Authentic”), entered into a share purchase agreement (“JV SPA”), for BBM’s acquisition of 51% equity interest in a special purpose vehicle established by ABG Hunter LLC, which holds the relevant intellectual property of Hunter brands in Greater China and Southeast Asia (“Hunter IP Holdco”). In the meantime, affiliates of Baozun entered into two license agreements with this JV through which this JV granted Baozun’s affiliates the right to manufacture, market, distribute and sell Hunter brand products in Greater China and Singapore and Malaysia respectively on an exclusive basis.

Technology Empowerment

Our technologies and insights enable us to forge a sustainable, symbiotic relationship between physical retail and online commerce. We aim to deliver the best-in-class, seamless omni-channel experience by integrating the digital and the physical at scale, and to excel where few have done so in retail. We upgraded the back-end IT system for Gap Shanghai and introduced a new omni-channel operating platform, namely Retail Operating Platform (ROP). The ROP's new architecture, featuring a centralized hub instead of a traditional ERP, achieves more real-time management and utilizes one pool of inventory to increase sales efficiency and inventory turnover across channels.

Product Management

We design, develop, market, and sell a wide range of apparel, footwear and accessories products reflecting a mix of basics and fashion items based on widely accepted fashion trends, striving to bring product to market quickly and provide unrivaled value to customers. China-for-China product is our core priority. It is critical for us to interpret the DNA of brands under our brand management portfolio in a way that is relevant for China. We are committed to pursuing technology and product innovation that supports our sustainability efforts while also delivering great quality products to our customers. Our product teams research, test, and iterate each season to deliver the latest styles in fabrics and silhouettes that are made to last while remaining conscious of the types of materials being sourced and the suppliers they work with. We leverage feedback and purchasing data from our customer database, along with market trend insights, to guide our product and merchandising decision-making.

Integrated Marketing and Advertising

We use a variety of integrated marketing and advertising mediums to drive brand health, customer acquisition, and engagement. We leverage our growing customer database and respond to shopping behaviors and needs with personalized content across email, site, and digital media to drive relevance and urgency. Our diversified media mix spans traditional to digital to social media. We focus on productivity of demand generation investments to drive increased effectiveness.

Supply Chain Management

Effective supply chain management plays an important role in achieving sustainable growth. As such, we pay attention to product innovation, quality control, and the responsiveness and cost-effectiveness of our supply chain. We strive to enhance our supply chain capabilities to meet consumer demands. We will continue to develop strategies that can enhance the operational efficiency of our supply chain and unlock gross margin opportunities. We believe improving our supply chain efficiencies and working capital management through the effective use of our overall infrastructure will allow us to control costs better and provide superior service to our customers.

Talent

We believe that the talent, commitment, and passion of our teams will always be key to our competitive edge. We offer a unique fashion proposition, defined by creativity, innovation, design, and quality. We successfully filled critical positions in a short timeframe. Our new hires are local industry experts with vast experience in both well-known leading multinational corporations and local apparel companies. We believe this will accelerate our business transformation and enhance organizational efficiency.

Intellectual Property

We use our brand partners' names, URLs, logos and other marks in connection with the operation and promotion of their e-commerce business. Our agreements with our brand partners generally provide us with licenses to use their intellectual property in connection with the operation of their e-commerce business. These licenses are typically coterminous with the respective agreements.

We also rely on technologies that we license from third parties, such as Microsoft, Adobe and certain management information systems. These licenses may not continue to be available to us on commercially reasonable terms in the future or at all. As a result, we may be required to obtain substitute technologies. See "Item 3. Key Information - D. Risk Factors - Risks Related to Our Business - The proper functioning of our technology platform is essential to our business. Any failure to maintain the satisfactory performance of our platform could materially and adversely affect our business and reputation."

We regard our trademarks, patents, software copyrights, service marks, domain names, trade secrets, proprietary technologies and similar intellectual property as critical to our success. To protect our proprietary rights in services and technology, we rely on trademark, copyright and trade secret protection laws in the PRC. As of March 31, 2024, we owned 229 registered trademarks, nine patents, copyrights to 293 software programs developed by us relating to various aspects of our operations, and 106 registered domain names.

In addition, we rely on contractual restrictions, such as confidentiality and non-disclosure agreements with our brand partners and employees.

Data Privacy and Cybersecurity

Data privacy protection and cyber security are top priorities for us. We have developed strong cybersecurity technology and practices that safeguard our systems and data and have established a dedicated team to supervise our data protection and data security, ensure compliance with applicable laws and regulations and ensure that we are meeting the expectations of consumers and our brand partners. Through our privacy policy, consumers and our brand partners can learn how their data is used and provide consent for data collection when necessary. Our multi-layer security infrastructure provides comprehensive data security infrastructure for continuous monitoring and system protection throughout all platforms. We received our ISO27001 certifications in December 2015, which was renewed in December 2018, December 2021 and October 2023, respectively, each with a valid term of three years. We received our GB/T 19001-2016/ISO 9001:2015 certification in October 2023 with a valid term of three years. We also received certification of Level 3 of Classified Protection of Cybersecurity for Baozun E-commerce Transaction System in April 2019, Baozun E-commerce Operation Service System in September 2021 and Baozun E-commerce Omni-Channel Business System in September 2021, each of which is currently under renewal. We do not expect any difficulty in renewing such certifications.

We responded quickly to the Personal Information Protection Law which took effect on November 1, 2021, and completed the system transformation in 2021, including core system data desensitization, data encryption, batch export control, and implement personal information protection, data security protection, and key infrastructure protection from the management and technology aspects.

In 2022, Baozun E-commerce has successfully passed the ISO27701 certification for Privacy Information Management System, renewed in October 2023 with a valid term of two years, which is another international security authority certification that Baozun E-commerce has obtained after obtaining the ISO27001 certification for Information Security Management System in 2015. This highlights Baozun E-commerce's commitment to international standards in the fields of information security and privacy protection, providing secure and reliable information technology services to enterprise users, partners, and employees. As a leader and pioneer in the brand e-commerce industry, Baozun E-commerce continually insists on assuming corporate compliance responsibilities, including actively responding to legal and regulatory requirements, establishing a data security committee, planning a security technology system, and promoting the implementation of various works related to information security and privacy protection through measures such as system design, process management, compliance audit, and system construction. ISO27701 is the extension standard of ISO27001 in management, and it is considered one of the most authoritative privacy protection standards globally.

Customers and Suppliers

Our brand partners and/or their authorized distributors are deemed as our suppliers under the distribution model and our customers under the service fee model and consignment model.

Customers

Our top five customers and their affiliates accounted for 19.2%, 21.4% and 22.3% of our total net revenues for the years ended December 31, 2021, 2022 and 2023, respectively. These customers are brand partners under the consignment model or service fee model. Our largest customer and its affiliates accounted for 11.4%, 14.0% and 14.0% of our total net revenues for the same periods, respectively. For concentration risk related to our brand partners, please see "Item 3. Key Information - D. Risk Factors - Risks Related to Our Business - If we are unable to retain our existing brand partners, our results of operations could be materially and adversely affected."

Our contracts with brand partners under the consignment model and service fee model typically have a term of 12 to 36 months, which can be renewed at the option of our brand partners. The contracts set forth the scope of services that we provide to the brand partners as well as pricing terms. We typically charge fixed fees and/or variable fees primarily based on GMV or other variable factors such as number of orders fulfilled.

Suppliers

Our top five suppliers and their affiliates accounted for 59.7%, 59.0% and 59.8% of our purchases for the years ended December 31, 2021, 2022 and 2023, respectively. Our largest supplier and its affiliates accounted for 34.3%, 29.7% and 33.2% of our purchases for the same periods, respectively. These suppliers are our brand partners and/or their authorized distributors under the distribution model. We select and purchase goods from such brand partners and/or their authorized distributors and sell goods directly to consumers through official brand stores or official marketplace stores operated by us on behalf of them. We do not deem any of such suppliers as material.

Inventory Management

We adopt different strategies to manage our inventory in order to deal with non-seasonal and seasonal demands. We make forecast of the necessary inventory level based on historical sales data and carefully formulate our procurement plans. For promotional events such as the Singles Day promotion, we pre-order sufficient level of inventory to meet surging demand. We track our inventory from the point we receive the inventory to the point when an order is fulfilled through our OMS and WMS. Once an order is shipped, our systems automatically update the inventory level for the relevant products to ensure that additional inventory will be ordered as needed. In order to maintain accurate inventory records, we conduct monthly inventory counts and address any problems immediately. We also conduct full inventory counts at year-end and assess the effectiveness of our historical inventory levels on a regular basis. In addition, we actively track the sales data on a real-time basis and make timely adjustments to our procurement plan in order to minimize the chance of excess unsold inventory. As a result, our obsolete inventory has not been significant.

Insurance

We maintain various insurance policies to safeguard against risks and unexpected events. We have purchased property insurance covering our inventory inside our self-operated warehouses and fixed assets such as equipment, furniture and office facilities. We also provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance and medical insurance for our employees. In addition, we provide supplementary commercial insurances, including but not limited to health insurances, transportation insurances, and accidental injury insurance to some of our employees and interns. In addition, we provide freight transportation insurance, professional liability insurance and commercial comprehensive liability insurance to insure our business operation. We maintain directors' and officers' liability insurance for our directors and officers. Except for a cyber information security insurance policy we have purchased that may cover income losses or other related losses suffered by certain of our subsidiaries due to service interruption caused by any cyber security or privacy events, we do not maintain business interruption insurance, nor do we maintain product liability insurance or key-man life insurance. We consider that the coverage from the insurance policies we maintain is adequate for our present operations and is in line with the industry norm. See "Item 3. Key Information - D. Risk Factors - Risks Related to Our Business - We may not have sufficient insurance coverage to fully cover our business risks, which could expose us to significant costs and business disruption."

Competition

We face competition from other brand e-commerce solutions providers and digital commerce enablers in China. We differentiate ourselves from our competitors in our omni-channel end-to-end solutions along the e-commerce value chain that cover diverse product categories. In contrast, our competitors typically fall into one of the following three categories: (i) provide a narrow scope of e-commerce services and address limited aspects of brands' e-commerce strategies; (ii) provide a narrow scope of e-commerce services on multiple e-commerce channels but lack the ability to provide services for multiple product categories; or (iii) provide basic end-to-end e-commerce services (including basic online store operations, customer services, IT services, marketing services and warehousing and fulfillment services) but lack the ability to help brands develop and execute e-commerce strategies across omni-channels or provide multi-category services. Brands that seek collaboration with our competitors may end up having to work with multiple service providers with different technology infrastructure, information system and operational requirements, while their e-commerce related needs can be served by our omni-channel end-to-end solutions in a seamless and efficient manner.

Environmental Social and Governance

We are committed to providing solutions in a responsible and transparent manner to drive sustainable development and increase value creation for all stakeholders. Sustainability is an integral part of the way we operate and positively impacts the communities in which we do our business. In 2022, we released our second Environmental, Social and Governance Report and published our first Carbon Neutrality White Paper. With the vision of “technology empowers the future success”, we will continue to build sounding Environmental, Social and Governance (ESG) management, and contribute to global sustainable development goals through innovation and creating shared value.

Governance

Baozun is a leading brand e-commerce solutions provider and digital commerce enabler in China. We believe that a solid corporate governance and excellent ESG performance are fundamental for continued growth and sustainable development. We have established a sustainability committee to enhance ESG management.

ESG Governance: we integrate ESG concepts into our culture and daily operations, and has established a top-down ESG governance structure to ensure that our ESG strategy and commitment are embedded in the organization and throughout the business. Our board of directors has overall oversight and ultimate responsibility for our ESG issues. Our sustainability committee is responsible for recommending ESG strategies, identifying major risks and opportunities, and approving and reviewing all ESG-related policies. Building on this foundation, we empower the sustainable development task force to assist in the formulation and implementation of ESG practice initiatives, thus ensuring that the appropriate and effective ESG risk management and internal control systems are in place. Our sustainability committee consists of Mr. Vincent Wenbin Qiu, our founder, chairman and chief executive officer, Mr. Yiu Pong Chan, our director, Mr. Arthur Yu, our chief financial officer and president of BEC, and Mr. Aaron Kwok Yuen Lung, our senior vice president, in which Mr. Vincent Wenbin Qiu is the chairman. Our sustainability development task force is composed of various operational departments and business units of the company.

In 2023, we convened our sustainability committee meeting, where our members collectively explored the most recent policy trends within the ESG landscape. This collective endeavor aimed at enhancing our understanding and gaining deeper insights into global sustainability standards, thereby furnishing a valuable reference framework for efficiently integrating these standards into the Company’s strategic decision-making processes.

Board Independence and Diversity: We are well aware of the long-term benefits of board independence and diversity for a business. As of December 31, 2023, our board of directors had a total of seven members, including three independent directors.

Risk Management: Through the risk assurance committee led by our senior management, we have established a sound risk management and internal control mechanism to identify, prevent and control risks related to business operations. We have set up a full-time internal audit team under our Legal & Risk management department, who reports to audit committee of our Board of Directors. The internal audit team assumes the responsibility for providing independent evaluation and appraisal of the effectiveness of the Company’s risk management and internal monitoring system. It identifies the control implementation deficiencies in the various departments daily operation processes, proposes improvement plans and continuously tracks the actual implementation of improvements to achieve continuous monitoring and reduction of the Company’s risks in a timely manner. In 2023, the company identified risks including strategic risks, financial risks, market risks, operational risks, and legal risks.

Business Ethics: We take a zero-tolerance approach to any violation of laws and regulations or improper behavior in commercial activities in order to create a healthy and ethical culture. In terms of anti-bribery and anti-corruption, we formulated policies and procedures, established the compliance and fraud investigation department and an anti-corruption management structure with clear responsibilities, and continued to enhance integrity awareness. Meanwhile, we have established whistleblowing channels and whistleblower protection policy. In 2023, there were no reported violations of anti-competitive behavior or anti-corruption incidents. Moreover, we have implemented integrity education across our employee groups and disseminate legal knowledge on a regular basis through diversified channels. Concurrently, we have jointly established with our partners a comprehensive ethical conduct framework, resolutely eliminating any instances of commercial bribery, bribery acceptance, illegalities, or unfair competition within business operations. We have put in place a rigorous and all-encompassing anti-bribery and anti-corruption management system that spans the entire process from supplier registration and qualification, to certification, tiered management, up to performance evaluation.

Environmental Sustainability

Based on green development and low-carbon operation, we continue to minimize our environmental impact caused by operations. We are committed to raising public awareness about environmental issues, promoting an eco-friendly mindset among our business partners, and promoting sustainable consumption.

Responding to Climate Change: We recognize the impact of climate-related risks and opportunities on our business operation, and are working to mitigate such impact by building business resilience. In 2021, following suggestions of the Task Force on Climate-related Financial Disclosures of the Financial Stability Board, we identified climate change-related risks and opportunities through policy studying, benchmarking against peer businesses and consulting experts. Based on the identification of climate change risks and opportunities, we also analyzed and evaluated the carbon footprint and environmental impact of the product lifecycle, covering the entire process of upstream and downstream transportation, office operations, and product disposal. We target to reduce greenhouse gas (GHG) emission (Scope 1, 2 and 3) by 50% by 2030, compared to a 2021 baseline, and to achieve GHG neutrality (Scope 1, 2 and 3) by the end of 2050. In 2023, our Scope 1 and Scope 2 greenhouse gas emissions decreased by 27.58% compared to 2021. Concurrently, we have consistently advocated for and promoted sustainable work practices and lifestyles among our employees and consumers. Moreover, in 2023, Baozun's score in the CDP Climate Change Questionnaire was elevated to a B rating, which amply demonstrates our relentless commitment and endeavors towards driving green development.

Green Operation: We actively promote “green” initiatives such as our “green storage and logistics,” “green packaging,” “green supply chain” and “green workplace.” We have sustained our efforts in energy and resource conservation, having constructed a new photovoltaic carport at our office premises which generated 50.03 MWh of electricity annually. Furthermore, we have implemented an advanced Variable Refrigerant Volume (VRV) multi-split air conditioning control system to enhance the energy efficiency of our HVAC systems. In 2023, we upgraded our warehouse lighting infrastructure, achieving equipment optimization for increased efficiency, thereby creating a state-of-the-art, low-carbon automated warehouse. Additionally, leveraging big data technology, we continuously refine logistics routes, successfully reducing carbon emissions by approximately 600 tons through direct dispatch models for order packages. We also actively transition from air to land transportation modes, increasing the usage of new energy vehicles to minimize our transport-related carbon footprint. Moreover, we are committed to implementing measures that reduce packaging materials. As of December 31, 2023, we had achieved a cumulative reuse volume of 14,324 tons of packaging materials.

Social

We are committed to empowering the development of the industry with technology and innovation, providing high-quality services and innovative solutions to our brand partners, and creating shared value with our employees, community and society at large. In 2023, we received more than 50 awards and recognition for our excellent services, and 4 sustainability awards and honors. We hosted the 7th Global Brand E-commerce Summit to explore the trending topics, omni-channel exponential growth. *Employee rights and benefits:* We adhere to the principle of fair employment and equal pay. We strive to provide our employees with comprehensive social benefits, a diverse work environment and a wide range of career and leadership development and training opportunities. As of December 31, 2023, we had a total of 7,827 employees (including 842 employees from acquired business during 2023), and our total employee training hours reached 64,775 with an average training hour per employee of 8.28. In 2023, we received 5 awards in employment aspect, such as Beisen 2023 China Talent Management Excellence Award and Zhaopin 2023 Outstanding Campus Recruitment Award. *Innovation:* Technology is the essence of future retail and is our DNA. We devote significant resources to our research and development efforts, focusing on developing our technology infrastructure and proprietary systems, expanding our technological footprint and enhancing the digitalization of our brand partners' retail business. Based on the deep understanding of brand e-commerce operation, we have joined hands with brand partners to embrace the new opportunities of omni-channel growth in the post-epidemic era and unremittingly explore new solutions. In 2023, we have persistently advanced the optimization and enhancement of our technology business brand “BOCDOP”, offering innovative standard services and solutions. Additionally, we accomplished the establishment of a multi-cloud capability to enhance organizational collaboration efficiency and set up a Delivery Center that enables remote responsiveness in resource allocation, effectively boosting resource utilization efficiency and delivery quality. As of December 31, 2023, we had filed applications for 75 patents and secured 321 computer software copyrights covering various aspects of our operations.

Information Security and Privacy Protection: Information security is regarded as the basis of our service. We have established our information security management committee as the highest decision-making body, with overall responsibility for our information security and privacy protection strategies and practices, and reporting directly to our board of directors. We review our information security work in accordance with advanced domestic and international standards and complete the construction of information and data security from four dimensions: information security management structure and system, taking key safeguard measures and actions, building an emergency mechanism, and strengthening employee's awareness. In 2023, we successfully completed certifications for both ISO 27001 Information Security Management System and ISO 27701 Privacy Information Management System. Furthermore, we expanded the coverage of Cybersecurity Level Protection Assessment (Level Three), incorporating five additional sub-systems such as UAC into our level protection assessment framework. As of December 31, 2023, a total of 15 sub-systems across six major systems had passed the certification audit by national assessment bodies. In 2023, there were no reported incidents of information security accidents or data breaches. *Customer Satisfaction:* We provide customer service operations for our brand partners. We set up a dedicated customer service team for each brand partner, and continue to improve our services to bring better experiences to all consumers. In collaboration with COPC, we provided employees with the COPC® Customer Experience Excellence in Practice Training in 2023. All ten participating employees who underwent off-the-job training achieved scores above 90% and were subsequently awarded COPC® Customer Experience Navigator certificates, significantly enhancing the professional competence of our customer service team. Simultaneously, we optimized our internal elite certification program by introducing seven distinct certifications that include hotline management, data entry skills, business English, training skills, AI Intelligent Trainer, post-sales comprehensive abilities, and Office skills proficiency.

We upgraded our self-developed integrated management platform S-ANY with enhancements across multiple dimensions such as monitoring mechanisms, automatic information synchronization, and high-risk alerts, thereby significantly improving the efficiency and quality of customer services. Notably, the Real-time Quality Control (RQC) module performs systematic and exhaustive quality checks on service dialogues to maintain service quality and minimize potential PR risks due to customer complaints. Additionally, we capitalized on the technological potential of AIGC, fully integrating ChatGPT 4.0 into our operations. We applied AI technology across various use cases including robot configuration and optimization of customer service scripts.

Diversity and Inclusion: We are committed to providing all employees with equal opportunities at the workplace by upholding the values of honesty, integrity and mutual respect. We believe diversity is fundamental to maintaining our ability to innovate. We dedicated to increase gender diversity. Meanwhile, we provide job opportunities for people with disabilities and encourage them to exert their creativity in their positions, and provide them with a barrier-free working environment. In 2023, we hired 13 employees with disabilities, working for our operation, human resources, and design departments. As of December 31, 2023, the proportion of female employees reached 60.6%, increased by 1.1% compared with that of December 31, 2022.

Sustainable Supply Chain: As an important partner of brands, we are committed to promote green e-commerce and the concept of sustainable consumption, and assist in fighting against global climate change. We promote total cost ownership, or the TCO, rather than single price-oriented procurement concept, and take into account the environmental, social and ethical performance of the supplier during selection. In 2023, we conducted ESG-related assessments on a total of 532 suppliers. In addition, we choose suppliers with higher TCO and better sustainability during our own procurement and recommend and promote them to our brand partners in their purchasing decision process. In addition, we recommend and facilitate the selection of suppliers with higher TCO and better sustainability to our brand partners and in our own procurement process.

Community Investment: We firmly believe that our value is not only to provide brand partners and consumers with quality services. We are more committed to giving back to society and positively impacting the people around us. In 2023, we made a total of RMB2.1 million in charitable donations. In addition, combining our own resource advantages, we take advantage of the development of the digital economy, and provide community with professional vocational education and work opportunities. We set up Baozun-Nantong Open University E-commerce Industry College to open up internship training and employment opportunities for students. The Academy is run by Baozun The academy is a combination of full-time lecturers and external lecturers who focus on students' career development and enterprise projects, using a combination of learning + practice to enhance students' overall quality and skill. Furthermore, we have actively collaborated with industry associations and educational institutions to organize various events, aimed at identifying and nurturing exceptional talents in the e-commerce domain. In 2023, we successfully conducted the 3rd "Baozun Cup" Campus Live Streaming Competition.

Legal Proceedings

From time to time, we may be involved in legal proceedings or be subject to claims arising in the ordinary course of our business.

On December 10, 2019 and December 26, 2019, purported securities class action complaints were filed in the United States District Court for the Southern District of New York against us, our chief executive officer and our then chief financial officer. These suits, which were captioned *Snyder, et. al. v. Baozun Inc. et. al.* (Case No.: 1: 19 cv-11290) and *AUS, et. al. v. Baozun Inc., et. al.* (Case No.: 1: 19 cv-11812), allege, among other things, that defendants made materially false and misleading statements, or failed to disclose material facts, regarding the termination of our business relationship with a Chinese electronics brand. The various suits assert claims covering the period from March 6, 2019 through November 20, 2019 and seek compensatory damages, costs and expenses incurred in such actions, as well as equitable or other relief. On September 8, 2020, the court appointed the lead plaintiffs and the lead counsel and consolidated the separate actions into a consolidated action. On November 6, 2020, the lead counsel filed a notice of voluntary dismissal with the court stating that the consolidated action is voluntarily dismissed against all defendants, without prejudice, and with each party agreeing to bear their own costs. On November 11, 2020, the court signed the notice of voluntary dismissal, thereby adopting it as an order of the court. The issuance of this order resulted in the dismissal of the consolidated action.

In September 2021, one of our subsidiaries, Baozun Hong Kong Holding Limited, initiated an arbitration proceeding against a distributor in the health care and cosmetics industry for payment default, seeking to recover US\$22.2 million accounts receivable for the products procured by this distributor, plus accrued interest and reimbursements of arbitration fees. As of the date of this annual report, the arbitration proceeding is still ongoing. There is no certainty that the arbitration tribunal will rule in our favor, and even if it does rule in our favor, there is no guarantee that we will be able to fully recover the amount owed. In 2021, we provided an allowance of RMB93.3 million (US\$14.6 million) of accounts receivable in connection with the default of this distributor, and did not make additional allowance in 2023.

Except for the arbitration proceeding described above, we are not currently a party to, nor are we aware of, any other legal proceeding, investigation or claim which, in the opinion of our management, is likely to have a material adverse effect on our business, financial condition or results of operations.

Regulations

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

Regulations Regarding Foreign Investment

PRC Company Law

The establishment, operation and management of companies in PRC are governed by the PRC Company Law, which was latest amended on December 29, 2023 and will take effect on July 1, 2024. The PRC Company Law applies to both domestic companies and foreign-invested companies in mainland China. The latest main amendments of PRC Company Law introduce a rule requiring the registered capital of limited liability companies to be fully paid within five years. Companies incorporated before the promulgation and implementation of the amendments are required to gradually adjust to meet the deadline. In addition, the latest main amendments of PRC Company law also involve improving the company's establishment and exit system, optimizing the company's organization structure, detailing exercise of shareholder rights, perfecting the company's capital system and strengthening the responsibilities of controlling shareholders and management personnel, etc. The direct or indirect investment activities of a foreign investor shall be governed by the PRC Foreign Investment Law and its implementation rules.

Foreign Investment Law

Investment activities in the PRC by foreign investors are principally governed by the Catalog of Industries for Encouraging Foreign Investment, or the Encouraging Catalog, and the Special Administrative Measures, or Negative List, for Foreign Investment Access, or the Negative List, which were promulgated and are amended from time to time by MOFCOM and the NDRC, and together with the Foreign Investment Law and its respective implementation rules and ancillary regulations. The Encouraging Catalog and the Negative List lay out the basic framework for foreign investment in China, classifying businesses into three categories with regard to foreign investment: “encouraged”, “restricted” and “prohibited.” Industries not listed in the Encouraging Catalog or the Negative List are generally deemed as falling into a fourth category “permitted” unless specifically restricted by other PRC laws. On December 27, 2021, MOFCOM and the NDRC promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version), which became effective on January 1, 2022. On October 26, 2022, MOFCOM and the NDRC also jointly promulgated the Catalog of Industries for Encouraging Foreign Investment (2022 Version), which became effective on January 1, 2023.

On March 15, 2019, the National People’s Congress approved the Foreign Investment Law, which took effect on January 1, 2020 and replaced three then existing laws on foreign investments in China, namely, the PRC Equity Joint Venture Law, the PRC Cooperative Joint Venture Law and the PRC Wholly Foreign-owned Enterprise Law. 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 invested enterprises in China. The Foreign Investment Law establishes the basic framework for the access to, and the promotion, protection and administration of foreign investments in view of investment protection and fair competition. The Foreign Investment Law does not comment on the concept of “de facto control” or contractual arrangements with variable interest entities, however, it has a catch-all provision under definition of “foreign investment” to include investments made by foreign investors in China through means stipulated by laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions to provide for contractual arrangements as a form of foreign investment. The Foreign Investment Law provides that foreign invested entities operating in foreign restricted industries will require market entry clearance and other approvals from relevant PRC governmental authorities. Furthermore, the Foreign Investment Law provides that foreign invested enterprises established according to the said three existing laws regulating foreign investment may maintain their structure and corporate governance within five years after the implementation of the Foreign Investment Law.

On December 26, 2019, the State Council promulgated the Implementation Rules of Foreign Investment Law, which took effect on January 1, 2020 and abolished the Regulation on the Implementation of the PRC Equity Joint Ventures Law, Interim Provisions on the Contract Term of Equity Joint Ventures, Detailed Rules for the Implementation of the PRC Wholly Foreign-owned Enterprise Law and Detailed Rules for the Implementation of the PRC Cooperative Joint Venture Law. The implementation rules further clarified that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

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

Depending on each brand partner’s specific needs and the characteristics of its industry, we generally operate our brand e-commerce business based on one of three models:

- the distribution model;
- the service fee model; and
- the consignment model.

Under these business models, we provide IT solutions, online store operations, digital marketing, customer service to our brand partners, select and purchase goods from official brand partners and/or their authorized distributors and sell goods directly to consumers through official brand stores or official marketplace stores operated by us on behalf of our brand partners, and provide warehousing and fulfillment services. Pursuant to the latest Negative List and the latest Encouraging Catalog, such activities are not listed in either the Negative List or the Encouraging Catalog and are permitted areas for foreign investments.

Foreign Investment in Value-Added Telecommunications Businesses

Foreign investment in telecommunications businesses is governed by the Regulations for Administration of Foreign-invested Telecommunications Enterprises, issued by the State Council on December 11, 2001 and subsequently amended on September 10, 2008, February 6, 2016 and May 1, 2022 (namely, the “2022 FITE Regulations”). MIIT issued the Notice Regarding Strengthening Administration of Foreign Investment in Operating Value-Added Telecommunication Businesses on July 13, 2006, pursuant to which a domestic PRC company that holds an operating license for value-added telecommunications business, which we refer to as a Value-added Telecommunication License, or a VAT license, is prohibited from leasing, transferring or selling the VAT license in any form, or providing any resource, sites or facilities to any foreign investors intending to illegally conduct such businesses in China. Pursuant to the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version), provision of value-added telecommunications services falls within the ‘restricted’ category. As such, the ultimate shareholding percentage of a foreign investor in companies engaged in value-added telecommunications services (except for e-commerce, domestic multi-party communications, storage-forwarding and call centers) shall not exceed 50%. Pursuant to the 2022 FITE Regulations which came into effective on May 1, 2022, in general, foreign investors are not allowed to hold more than 50% of the equity interests of a company engaged in value-added telecommunications services. On March 29, 2022, the State Council promulgated the Decision of the State Council on Amending or Abolishing Certain Administrative Regulations (the “Decision”), which came into effect on May 1, 2022. According to the Decision, the requirement of good track record and operational experience of the primary foreign investor in a foreign-invested value-added telecommunications enterprise, as stipulated in the 2022 FITE Regulations was cancelled.

To comply with such foreign ownership restrictions, we currently hold a VAT license for domestic call center services and internet information services through our VIE, Shanghai Zunyi. We also currently hold a VAT license for online data processing and transaction processing business (operational e-commerce) through our PRC subsidiary, Shanghai Baozun.

Licenses and Permits

Licensing system for production and sale

China has adopted a licensing system for food supply operations under the Food Safety Law and its implementation rules. Entities or individuals that intend to engage in food production, food distribution or food service businesses must obtain licenses or permits for such businesses.

Pursuant to the Administrative Measures on Food Production Licensing issued by the SAMR on January 2, 2020 with effect from March 1, 2020, the validity term for a food production license is five years. Our PRC subsidiary engaging in food production business have obtained Food Production Permit.

Pursuant to the Administrative Measures on Food Operation Licensing and Record-Filing issued by then SAMR on June 15, 2023 with effect from December 1, 2023, an enterprise engaged in food sales or catering services shall obtain a Food Operation Permit from the local administration for market regulation. The Food Operation Permit is not required under any of the following circumstances: (i) sale of edible agricultural products; (ii) sale of prepackaged food only; (iii) medical institutions and drug retailers’ sale of specific total nutrition formula food in the formula food for special medical purposes; (iv) sale of the food produced at the production and processing places or via the Internet by food producers that have been granted a Food Production Permit; and (v) other circumstances under which the Food Operation Permit is not required according to laws and regulations. The sale of only pre-packaged food shall be filed for record with the local administration for market regulation. On November 29, 2021, the SAMR promulgated the Announcement on Matters relating to the Record-filing for the Sale of Only Pre-packaged Food, which stipulates that an entity trading in food but only for sale of pre-packaged food shall apply for the record-filing when registering for market entity registration. The record-filing formalities shall be completed before carrying out such businesses. Those who have obtained food operation licenses are not required to go through the record-filing before the expiration of their food operation licenses. Our PRC subsidiaries engaging in food operation business have obtained Food Operation Permits or completed the record-filing.

Permits for Liquor Circulation

Any entity or individual engaged in the wholesale or retail of liquor may be required by local governments to obtain local licenses for the distribution of alcoholic products, or the Permits for Liquor Circulation. For example, pursuant to the Administrative Measures of Shanghai Municipality for Production and Sales of Alcohol Commodities, which was adopted by the Standing Committee of Shanghai People's Congress in 1997 and latest amended on December 28, 2023, local enterprises that engage in alcohol wholesaling must apply to the municipal alcohol commodities monopoly bureau for an alcohol wholesale license, while local enterprises that engage in alcohol retailing must apply to the district alcohol commodities administrative department for an alcohol retail license. Our PRC subsidiaries engaging in wholesale or retail of liquor have obtained Permits for Liquor Circulation.

Medical Device Operation Enterprise Permit

Pursuant to the Regulations on the Supervision and Administration of Medical Devices, which was issued by the State Council in 2000 and latest amended on February 9, 2021, which became effective on June 1, 2021, medical devices are divided into three types and enterprise engaged in the distribution of type two medical devices shall complete record-filing formalities with the municipal level food and drug administration and provide supporting materials to satisfy the relevant conditions of engaging in the operation of medical devices.

Publication Operation Permit

Pursuant to the Publication Market Provisions promulgated in May 2016, an entity engaged in the wholesale or retail of publications shall obtain an operation permit for publications. If an entity fails to obtain operation permit for publications, it may be subject to an order to cease illegal acts, fines or confiscation of illegal gains and devices, equipment used for the illegal business operation. In cases where an entity that is engaged in the distribution of publications via the internet or other information networks within the approved business scope has obtained an operation permit for publications, such entity shall complete its record-filing formalities with the publication administrative department that has approved its business scope within 15 days after launching its online distribution business. Each of Shanghai Baozun, Shanghai Zunyi and Shanghai Fengbo holds an operation permit for publications.

Road Transportation Operation Permit

Under the Regulations on Road Transportation promulgated by the State Council in April 2004 and latest amended on July 20, 2023, which became effective on May 1, 2022, and the Provisions on Administration of Road Transportation and Stations (Sites) issued by the Ministry of Transport in June 2005 and latest amended on November 10, 2023, any entity engaging in the business of operating road transportation must obtain a Road Transportation Operation Permit. Our PRC subsidiaries engaging in the business of operating road transportation have obtained Road Transportation Operation Permits.

Permits for Travel Business

On April 25, 2013, the Standing Committee of the National People's Congress issued the Tourism Law, which took effect on October 1, 2013 and was amended in November 2016 and October 2018. The Tourism Law aims to protect tourists' legal rights, regulate travel market and promote the development of travel industry, and sets forth specific requirements for the operation of travel agencies. Travel agencies are prohibited from (i) leasing, lending or illegally transferring travel agency operation licenses or otherwise disseminating untrue or inaccurate information when soliciting customers and organizing tours, (ii) conducting any false publicity to mislead customers, (iii) arranging visits to or participation in any project or activity in violation of PRC laws and regulations or social morality, (iv) organizing tours at unreasonably low price to induce or cheat tourists, or obtaining unlawful profits such as kickbacks, and (v) changing or ceasing scheduled itineraries without reasons and forcing the tourists to participate in other activities against the will of tourists.

The travel industry is subject to the supervision of Ministry of Culture and Tourism of the PRC, and its local counterparts. The principal regulations governing travel agencies in China include the Travel Agency Regulations and the Implementing Rules of Travel Agency Regulations. Under these regulations, a travel agency must obtain a license from the state tourism administration to conduct outbound travel business, and a license from the provincial-level tourism administration to conduct domestic and inbound travel agency business. Our PRC subsidiary, Beijing Jingtang International Travel Agency Limited, has obtained a license covering outbound, inbound travel business and domestic travel agency business but has not yet carried out relevant business.

Except for licenses and permits, we are also subject to various legal obligations as distributors of certain products. For example, under relevant PRC laws, we, as distributors of cosmetics, are obliged to check whether the cosmetics we sell online have been issued the requisite permits, certificates or filings in relation to the production or import of such products and whether such products have passed the quality inspection before they are sold.

Regulation Relating to Product Quality, Advertising and Consumer Protection

The Product Quality Law, promulgated in 1993 and subsequently amended in July 2000, August 2009 and December 2018, applies to all production and sale activities in China. Pursuant to this law, products offered for sale must satisfy relevant quality and safety standards. Enterprises may not produce or sell counterfeit products in any way, including forging brand labels or giving false information regarding a product's manufacturer. Violations of state or industrial standards for health and safety and any other related violations may result in civil liabilities and administrative penalties, such as compensation for damages, fines, suspension or shutdown of business, as well as confiscation of products illegally produced and sold and the proceeds from such sales. Severe violations may subject the responsible individual or enterprise to criminal liabilities. Where a defective product causes personal injury or damage to another person's property, the victim may claim compensation from the manufacturer or from the seller of the product. If the seller pays compensation and it is the manufacturer that should bear the liability, the seller has a right of recourse against the manufacturer. Similarly, if the manufacturer pays compensation and it is the seller that should bear the liability, the manufacturer has a right of recourse against the seller.

The principal regulations governing promotion and advertising activities in China include the PRC Anti-Unfair Competition Law promulgated in 1993 and amended in 2017 and 2019, the PRC Pricing Law promulgated in 1997, and the PRC Advertising Law promulgated in 1994 and subsequently amended in April 2015, October 2018 and April 2021. Under the PRC Advertising Law, advertising operators and advertising distributors will be subject to more stringent requirements and obligations. For example, entities or individuals shall not send advertisements to customers' telephones, mobile or email accounts without the customers' consents or requests, and any advertisement containing any kind of misleading, false or inaccurate information with respect to product quality, constituents, functionality, price, sales performance or other features will be deemed as deceptive advertising and will subject the advertising operators and distributors to penalties more severe than those under the original law. In addition, the PRC Anti-Unfair Competition Law further imposes stringent requirements on various promotional activities, such as prize-giving sales and bundling sales. Violation of these requirements may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements, and orders to publish a correction to the misleading information.

The Consumer Protection Law, promulgated by the National People's Congress Standing Committee in October 1993 and subsequently amended in August 2009 and October 2013, sets out the obligations of business operators and the rights and interests of the consumers in China. Pursuant to this law, business operators must guarantee that the commodities they sell satisfy the requirements for personal or property safety, provide consumers with authentic information about the commodities, and guarantee the quality, function, usage and term of validity of the commodities. Failure to comply with the Consumer Protection Law may subject business operators to civil liabilities such as refunding purchase prices, replacement of commodities, repairing, ceasing damages, compensation, and restoring reputation, and even subject the business operators or the responsible individuals to criminal penalties when personal damages are involved or if the circumstances are severe. The Consumer Protection Law was further amended in October 2013 and became effective in March 2014. The amended Consumer Protection Law further strengthens the protection of consumers and imposes more stringent requirements and obligations on business operators, especially on the business operators through the internet. For example, the consumers are entitled to return the goods (except for certain specific goods, such as custom-made goods, fresh and perishable goods) within seven days upon receipt without any reasons when they purchase the goods from business operators on the internet. The consumers whose interests have been damaged due to their purchase of goods or acceptance of services on online marketplace stores may claim damages from sellers or service providers. Moreover, if business operators deceive consumers when selling products or providing services, they should not only compensate consumers for their losses, but also pay additional damages equal to three times the price of the goods or services. If business operators knowingly sell defective products to the consumers and such products cause death of the consumers or other victims or cause severe damage to the health of the consumers or other victims, they should not only compensate victims for their loss, but also pay additional damages up to twice of the victims' loss.

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

Regulation Relating to Cybersecurity

The National People's Congress Standing Committee promulgated the Cybersecurity Law on November 7, 2016, which took effect from June 1, 2017. Construction, operation, maintenance and use of networks within the territory of the PRC will be subject to the law. Network operators in the PRC are required to perform the following obligations to ensure cyber security under a graded system of cyber security protection:

- (1) formulating internal security management systems and operation manual, to specify the person in charge of cyber security and to define responsibilities in cyber security protection;
- (2) taking technical measures to prevent computer virus, network attacks, network intrusions and other activities that endanger cyber security;
- (3) taking technical measures to monitor and record network operation and cyber security status, and maintaining relevant logs for no less than six months as required;
- (4) taking measures such as data classification, and backup and encryption of important data, etc.; and
- (5) performing other obligations required by relevant laws and administrative regulations.

In addition, the Cybersecurity Law specifies that network products and services shall satisfy the mandatory requirements set forth in applicable national standards. Any provider of network products or services shall not install malwares. In case of identifying any cyber security risk such as security defect or bug, relevant product/service provider is required to take immediate remedial actions, timely inform users of the risk, and report the event to the competent authority.

Furthermore, the Cybersecurity Law systematically specifies requirements on user information protection applicable to network operator, and requires that a network operator should establish and improve its user information protection system. Network operators shall collect, store, and use individual information with consent from such individuals by lawful and proper means on a necessary basis. Network operators cannot collect individual user information that is not relevant to the services it provides, or distort or destroy individual information collected by it. Network operators are prohibited from disclosing without permission or selling individual information unless individual specifics are unidentifiable or retrievable. In addition, a network operator shall strengthen its management of information released by its users. If it finds any information that is prohibited by laws and administrative regulations from release or transmission, it shall immediately cease transmission of such information, and take measures such as deletion of relevant information to prevent dissemination of the same, and shall keep relevant record, and report the event to competent authorities. Also, a network operator is required to establish network information security complaint and reporting mechanisms, and to release the complaint and reporting channels to promptly accept and settle complaints and reports concerning network information security.

The Cybersecurity Law also introduces the concept of "Critical Information Infrastructure (CII)", and imposes a higher level of cyber security protection obligations on the CII operators. For example, a CII operator is generally required to store in the PRC personal information and important business data collected and generated during its business operations within the PRC. Failure to comply with this requirement may lead to the confiscation of illegal gains, fines, revocation of the business permit or even the business license. In addition, pursuant to the Cybersecurity Law, critical network equipment and dedicated network security products may not be made available in China market until they pass the security tests or verification by accredited evaluation agencies.

The Measures for Cyber Security Review was issued on December 28, 2021 and came into effect on February 15, 2022. According to the Measures for Cyber Security Review, a critical information infrastructure operator, before purchasing network products and services, shall prejudge the national security risks that may arise after the products and services are put into use. If such products and services will or may affect national security, the operator shall apply for cyber security review to the cyber security review office.

On January 23, 2019, the Office of the Central Cyberspace Affairs Commission and other three authorities jointly issued the Circular on the Special Campaign of Correcting Illegal Collection and Usage of Personal Information via Apps. Pursuant to this 2019 circular, (i) App operators are prohibited from collecting any personal information irrelevant to the services provided by such operator; (ii) information collection and usage policy should be presented in a simple and clear way, and such policy should be consented by the users voluntarily; (iii) authorization from users should not be obtained by coercing users with default or bundling clauses or making consent a condition of a service. App operators violating such rules can be ordered by authorities to correct its noncompliance within a given period of time, be reported in public; or even suspend its operation for rectification or cancel its business license or operational permits. On November 28, 2019, SAMR, the Office of the Central Cyberspace Affairs Commission, MIIT and the Ministry of Public Security jointly issued the Measures for the Determination of the Collection and Use of Personal Information by Apps in Violation of Laws and Regulations, which provides guidance for the regulatory authorities to identify the illegal collection and use of personal information through mobile apps, and for the app operators to conduct self-examination and self-correction and for other participants to voluntarily monitor compliance.

The Provisions on the Cyber Protection of Children's Personal Information issued by the CAC came into effect on October 1, 2019, which requires, among others, that network operators who collect, store, use, transfer and disclose personal information of children under the age of 14 shall establish special rules and user agreements for the protection of children's personal information, inform the children's guardians in a noticeable and clear manner, and shall obtain the consent of the children's guardians.

On June 13, 2019, the CAC released the draft Measures on Security Assessment of the Cross-Border Transfer of Personal Information, requiring any cross-border transfer of any personal information data collected by domestic network service operators during the course of their operations shall apply for prior assessment and consent by the local competent network information security authority. The CAC completed the solicitation of comments on such draft measures on July 13, 2019, while here are still substantial uncertainties about what official measures will be promulgated and when will such official measures be enacted.

On May 28, 2020, the National People's Congress adopted the PRC Civil Code, which came into effect on January 1, 2021. Pursuant to the PRC Civil Code, the personal information of a natural person shall be protected by the laws. Any organization or individual shall legally obtain such personal information of others when necessary and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others.

In addition, on November 14, 2021, the Network Data Security Draft Regulations, was proposed by the CAC for public comments until December 13, 2021, which applies to activities relating to the use of networks to carry out data processing activities within the territory of the PRC. The Network Data Security Draft Regulations set out general guidelines, protection of personal information, security of important data, security management of cross-border data transfer, obligations of internet platform operators, supervision and management, and legal liabilities. In accordance with the Network Data Security Draft Regulations, data processors shall apply for a cybersecurity review for the following activities: (i) merger, reorganization or division of internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests to the extent that affects or may affect national security; (ii) listing abroad of data processors which process over one million users' personal information; (iii) listing in Hong Kong which affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. Besides, data processors that are listed overseas shall carry out an annual data security assessment. As of the date of this annual report, there is no definite timetable as to when the Network Data Security Draft Regulation will be enacted.

On December 28, 2021, the CAC, and other twelve PRC regulatory authorities jointly revised and promulgated the Measures for Cyber Security Review, which came into effect on February 15, 2022 and replace the current Measures for Cyber Security Review promulgated on April 13, 2020. The Measures for Cyber Security Review provides that, among others, (i) the purchase of cyber products and services by critical information infrastructure operators and the network platform operators engaging in data processing activities that affects or may affect national security should be subject to the cybersecurity review by the Cybersecurity Review Office, the department which is responsible for the implementation of cybersecurity review under the CAC; (ii) network platform operators with personal information data of more than one million users are obliged to apply for a cybersecurity review by the Cybersecurity Review Office before listing abroad; and (iii) relevant governmental authorities in the PRC may initiate cybersecurity review if they determine an internet platform operator's network products or services or data processing activities affect or may affect national security.

On July 7, 2022, the CAC adopted the Measures for the Security Assessment of Data Exit, which took into effect on September 1, 2022 and stipulates that data processors who provide overseas the personal information and important data collected and generated during operations within the PRC shall be subject to security assessment by the CAC. Specifically speaking, if the data processor provides data overseas and meets one of the following circumstances, it shall declare the security assessment: (i) personal information collected and generated by operators of critical information infrastructure; (ii) the data contains important data; (iii) personal information processors who have processed personal information of one million people provide personal information abroad; (iv) accumulatively provided personal information of more than one hundred thousand people or sensitive personal information of more than ten thousand people abroad since January 1 of the previous year; and (v) other circumstances as specified by the CAC. The assessment results of the data exit are valid for two years.

Regulation Relating to Privacy Protection

On June 10, 2021, the Standing Committee of the National People's Congress promulgated the Data Security Law, which took effect on September 1, 2021 to regulate data processing activities and ensure data security. The Data Security Law provides that the state should establish data classified and categorized protection system to protect data in a classified and categorized manner, and a security review system to conduct national security review of data processing activities that affect or may affect national security. Pursuant to the Data Security Law, the data processors should comply with laws and regulations in data processing activities, establish and improve a whole-process data security management system, organize data security education and training, and take corresponding technical and other necessary measures to ensure data security. The Data Security Law also stipulates that the relevant authorities will formulate the catalogues for important data and strengthen the protection of important data, and state core data, i.e. data having a bearing on national security, the lifelines of national economy, people's key livelihood and major public interests, should be subject to stricter management system.

On August 20, 2021, the Standing Committee of the National People's Congress promulgated the Personal Information Protection Law, which took effect on November 1, 2021. Pursuant to the Personal Information Protection Law, the processing of personal data should have clear and reasonable purposes, be directly related to the purposes of processing, and be carried out in a way that has minimal impact on personal rights and interests; the collection of personal data should be limited to the smallest scope necessary for achieving the purpose of processing, and personal data should not be collected excessively; the processing of personal data should follow the principles of openness and transparency, make public the rules on personal data processing and publicly disclose the purpose, methods and scope of processing. The Personal Information Protection Law further provides that, personal data processors should be responsible for their personal data processing activities, and should take necessary measures to ensure the security of the personal data processed thereby. Anyone processing personal information in violation of or failing to perform any obligation of personal information protection specified in Personal Information Protection Law in the processing of personal information will be ordered to make a correction, given a warning, and confiscated of any illegal gain by the authorities performing personal information protection duties, and any application program that illegally processes personal information will be ordered to suspend or terminate its services; and if the required correction is not made, a fine of up to RMB1 million (US\$140,847.1) will be imposed on the violator; and any person in charge or any other individual directly liable for the violation will be fined between RMB10,000 (US\$1,408.5) and RMB100,000 (US\$14,084.7).

Regulation Relating to Online Transaction

On March 15, 2021, the SAMR issued the Administration Measures for the Supervision of Online Transactions, which took effect on May 1, 2021, providing specific rules for the online transaction operators, such as clarifying the specific acts infringing consumers' personal information in online transactions, elaborating the prohibited contents that may not be contained in the standard terms, notifications and statements used by the online transaction operators, and measures to supervise sales of goods or provision of services through social network and live streaming. Our PRC subsidiaries and our VIE, which are online business operators and service providers, are subject to the Administration Measures for the Supervision of Online Transactions.

In August 2018, the National People's Congress Standing Committee promulgated the E-Commerce Law, which took effect in January 2019. The E-Commerce Law proposes a series of requirements on e-commerce operators, including third-party e-commerce platform operators, registered product or service providers of platforms, and product or services providers operating through a self-built website or any other network. For example, the E-Commerce Law requires e-commerce operators to respect and equally protect consumers' legitimate rights and provide options to consumers without targeting their personal characteristics, and also requires e-commerce operators to clearly point out to consumers their tie-in sales in which additional services or products are added by merchants to a purchase, and not to assume consumers' consent to such tie-in sales by default. The E-Commerce Law also organized rules on e-commerce contact execution and performance between e-commerce product/service providers and customers.

Regulation Relating to Mobile Applications

On June 14, 2022, the CAC promulgated the Regulations for the Administration of Mobile Internet Application Information Services, which came into effect on August 1, 2022. Pursuant to the Administration of Mobile Internet Application Information Services, the mobile internet applications providers shall acquire relevant qualifications required by laws and regulations and implement the information security management responsibilities strictly and fulfill their obligations, including real-name system, protection of users' information, examination and management of information content, etc., and shall comply with relevant provisions on the scope of necessary personal information when engaging in personal information processing activities. In addition, such providers shall not compel the user to agree to the processing of personal information for any reason and refuse the user to use its basic functions and services as the user does not agree to provide non-essential personal information.

Regulations Relating to Leasing

Pursuant to the Law on Administration of Urban Real Estate, adopted by the National People's Congress Standing Committee on July 5, 1994 and latest amended on August 26, 2019, when leasing premises, the lessor and lessee are required to enter into a written lease contract, containing such provisions as the leasing term, use of the premises, rental and repair liabilities, and other rights and obligations of both parties. Both lessor and lessee are also required to register the lease with the real estate administration department. If the lessor and lessee fail to go through the registration procedures, both lessor and lessee may be subject to fines.

According to the PRC Civil Code, the lessee may sublease the leased premises to a third party, subject to the consent of the lessor. Where the lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease contract if the lessee subleases the premises without the consent of the lessor. In addition, if the lessor transfers the premises, the lease contract between the lessee and the lessor will still remain valid. If a mortgagor leases the mortgaged property before the mortgage contract is executed, the previously established leasehold interest will not be affected by the subsequent mortgage; and where a mortgagor leases the mortgaged property after the creation and registration of the mortgage interest, the leasehold interest will be subordinated to the registered mortgage.

Regulation Relating to Intellectual Property Rights

Patent. Patents in the PRC are principally protected under the Patent Law. The duration of a patent right is either 10 years or 20 years from the date of application, depending on the type of patent right.

Copyright. Copyright in the PRC, including copyrighted software, is principally protected under the Copyright Law and related rules and regulations. Under the Copyright Law, the term of protection for copyrighted software is 50 years. In addition, the Regulations on the Protection of Rights to Information Network Communication promulgated by the State Council on May 18, 2006 (as amended in 2013), provides specific rules on fair use, statutory license, and a safe harbor for use of copyrights and copyright management technology and specifies the liabilities of various entities for violations, including copyright holders, libraries and internet service providers.

Trademark. Registered trademarks are protected under the Trademark Law and related rules and regulations. Trademarks are registered with the Trademark Office of National Intellectual Property Administration under SAMR. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or given preliminary examination and approval for use in the same or similar category of commodities or services, the application for registration of such trademark may be rejected. Trademark registrations are effective for a renewable ten-year period, unless otherwise revoked.

Domain Names. Domain names are protected under the Administrative Measures on the Internet Domain Names promulgated by MIIT. MIIT is the major regulatory body responsible for the administration of the PRC internet domain names, under supervision of which the China Internet Network Information Center is responsible for the daily administration of .cn domain names and Chinese domain names. In November 2017, MIIT promulgated the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Providing Internet-based Information Services, which became effective on January 1, 2018. Pursuant to the notice, the domain name used by an internet-based information service provider in providing internet-based information services must be registered and owned by such provider in accordance with the law.

Regulations on Tax

Enterprise Income Tax

The PRC enterprise income tax, or EIT, is calculated based on the taxable income determined under the applicable EIT Law and its implementation rules, which became effective on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, respectively. The EIT Law imposes a uniform enterprise income tax rate of 25% on all resident enterprises in China, including FIEs. The EIT Law and its implementation rules permit “high and new technology enterprises”, to benefit from a preferential enterprise income tax rate of 15% subject to these high and new technology enterprises meeting certain qualification criteria.

Value-Added Tax

Pursuant to the PRC Provisional Regulations on Value-Added Tax and its implementation regulations, unless otherwise specified by relevant laws and regulations, any entity or individual engaged in the sales of goods, provision of processing, repairs and replacement services and importation of goods into China is generally required to pay a value-added tax, or VAT, for revenues generated from sales of products, while qualified input VAT paid on taxable purchase can be offset against such output VAT.

On March 23, 2016, the MOF and the SAT jointly issued the Circular on the Pilot Program for Overall Implementation of the Collection of Value Added Tax Instead of Business Tax, or Circular 36, which took effect on May 1, 2016. Pursuant to the Circular 36, all of the companies operating in construction, real estate, finance, modern service or other sectors which were required to pay business tax are required to pay VAT, in lieu of business tax. The default applicable VAT rate is 6%, except: (i) for real estate sale, land use right transferring and providing service of transportation, postal sector, basic telecommunications, construction, real estate lease, the applicable VAT rate is 11%; (ii) for providing lease service of tangible property, the applicable VAT rate is 17%; and (iii) for specific cross-border activities, the applicable VAT rate is zero.

In April 2018, the Ministry of Finance, or MOF, and the SAT jointly promulgated the Circular of the Ministry of Finance and the State Administration of Taxation on Adjustment of Value-Added Tax Rates, or the Circular 32, according to which (i) for VAT taxable sales acts or importation of goods originally subject to value-added tax rates of 17% and 11%, respectively, such tax rates shall be adjusted to 16% and 10%, respectively; (ii) for purchase of agricultural products originally subject to deduction rate of 11%, such deduction rate shall be adjusted to 10%; (iii) for purchase of agricultural products for the purpose of production and sales or consigned processing of goods subject to tax rate of 16%, such tax shall be calculated at the deduction rate of 12%; (iv) for exported goods originally subject to tax rate of 17% and export tax refund rate of 17%, the export tax refund rate shall be adjusted to 16%; and (v) for exported goods and cross-border taxable acts originally subject to tax rate of 11% and export tax refund rate of 11%, the export tax refund rate shall be adjusted to 10%. Circular 32 became effective on May 1, 2018 and shall supersede any previously existing provisions in the case of any inconsistency.

In March 2019, the MOF, the SAT and the General Administration of Customs jointly promulgated the Announcement on the Policies for Furtherance of the Reform of Value-Added Tax, or the Announcement 39, according to which: (i) for VAT taxable sales acts or importation of goods originally subject to value-added tax rates of 16% and 10%, respectively, such tax rates shall be adjusted to 13% and 9%, respectively; (ii) for purchase of agricultural products originally subject to deduction rate of 10%, such deduction rate shall be adjusted to 9%; (iii) for purchase of agricultural products for the purpose of production and sales or consigned processing of goods subject to tax rate of 13%, such tax shall be calculated at the deduction rate of 10%; (iv) for exported goods and labor originally subject to tax rate of 16% and export tax refund rate of 16%, the export tax refund rate shall be adjusted to 13%; and (v) for exported goods and cross-border taxable acts originally subject to tax rate of 10% and export tax refund rate of 10%, the export tax refund rate shall be adjusted to 9%. Announcement 39 became effective on April 1, 2019 and superseded then existing provisions which were inconsistent with Announcement 39. Therefore, from May 1, 2018 to March 31, 2019, the VAT tax rates of our PRC subsidiaries changed from 17% to 16% on product sales. After April 1, 2019, the VAT tax rates of our PRC subsidiaries changed from 16% to 13% on product sales. VAT tax rate of our service revenue remains to be the same as that before May 1, 2018, which is 6%. We are also subject to surcharges on VAT payments in accordance with PRC law.

Regulation Relating to Dividend Withholding Tax

The EIT Law and its implementation rules provide that since January 1, 2008, an enterprise income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes, or the Double Tax Avoidance Arrangement and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, or the SAT Circular 81, issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. The SAT issued the Announcement of State Taxation Administration on Promulgation of the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits, the SAT Circular 35, on October 14, 2019, which became effective on January 1, 2020. The SAT Circular 35 further simplified the procedures for enjoying treaty benefits and replaced the SAT Circular 60. According to the SAT Circular 35, no approvals from the tax authorities are required for a non-resident taxpayer to enjoy treaty benefits, where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through the withholding agent, but it shall gather and retain the relevant materials as required for future inspection, and accept follow-up administration by the tax authorities. There are also other conditions for enjoying the reduced withholding tax rate according to other relevant tax rules and regulations. According to the Circular on Several Issues regarding the “Beneficial Owner” in Tax Treaties, or Circular 9, which was issued on February 3, 2018 by the SAT, effective as of April 1, 2018, when determining the applicant’s status of the “beneficial owner” regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of its income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. This circular further provides that applicants who intend to prove his or her status of the “beneficial owner” shall submit the relevant documents to the relevant tax bureau according to the Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under Tax Treaties.

Regulations Relating to Foreign Exchange and Dividend Distribution Foreign Exchange Regulation

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities or banks is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of foreign currency denominated loans or foreign currency is to be remitted into China under the capital account, such as a capital increase or foreign currency loans to our PRC subsidiaries.

On March 30, 2015, SAFE released the Notice on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises, or SAFE Circular 19, which came into force and superseded the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (“SAFE Circular 142”) and the Circular on the Relevant Issues Concerning the Launch of Reforming Trial of the Administration Model of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises in Certain Areas (“SAFE Circular 36”) from June 1, 2015. SAFE Circular 19 has made certain adjustments to some regulatory requirements on the settlement of foreign exchange capital of foreign-invested enterprises, and some foreign exchange restrictions under SAFE Circular 142 are lifted. Under SAFE Circular 19, the settlement of foreign exchange by FIEs shall be governed by the policy of foreign exchange settlement at will. In June 2016, SAFE promulgated the Notice on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange Settlement, or SAFE Circular 16, which removed certain restrictions previously provided under several SAFE circulars in respect of conversion by an FIE of foreign currency registered capital into RMB and use of such RMB capital. However, SAFE Circular 19 and SAFE Circular 16 also reiterate that the settlement of foreign exchange shall only be used for purposes within the business scope of the FIEs. In October 2019, SAFE issued the Notice of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment, or SAFE Circular 28, pursuant to which foreign-invested enterprises whose approved business scope does not include equity investments are allowed to use their capital funds obtained from foreign exchange settlement to make domestic equity investments in China, provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with laws.

In November 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment, or SAFE Circular 59, which was further amended in May 2015. Pursuant to this circular, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In addition, SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents in May 2013, which was further revised in 2015, 2018 and 2019, which specify that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

SAFE Circular 37

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75" promulgated by SAFE on October 21, 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, 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 increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from 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 subsidiary. 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. On February 13, 2015, SAFE released SAFE Circular 13, which became effective from June 1, 2015. According to this notice, local banks shall examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37. Beneficial owners of the special purpose vehicle who are PRC citizens are also required to make annual filing with the local banks regarding their overseas direct investment status.

Mr. Vincent Wenbin Qiu and Mr. Junhua Wu have completed initial filings with the local counterpart of SAFE relating to their investments in us. However, we may not be aware of the identities of all our beneficial owners who are PRC residents. In addition, we do not have control over our beneficial owners and cannot assure you that all of our PRC resident beneficial owners will comply with SAFE Circular 37 and its implementation rules, including relevant annual filing requirement. The failure of our beneficial owners who are PRC residents to register or amend their SAFE registrations in a timely manner pursuant to SAFE Circular 37 or the failure of future beneficial owners of our company who are PRC residents to comply with the registration procedures set forth in SAFE Circular 37 may subject such beneficial owners or our PRC subsidiaries to fines and legal sanctions. Failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to our PRC subsidiaries or receive dividends or other distributions from our PRC subsidiaries or other proceeds from disposal of our PRC subsidiaries, or we may be penalized by SAFE.

Share Option Rules

Under the Administration Measures on Individual Foreign Exchange Control issued by the PBOC on December 25, 2006, all foreign exchange matters involved in employee share ownership plans and share option plans in which PRC citizens participate require approval from SAFE or its authorized branch. Pursuant to SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly-listed companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. In addition, SAFE issued the Circular of SAFE on Issues Concerning the Administration of Foreign Exchange Used for Domestic Individuals' Participation in Equity Incentive Plans of Overseas Listed Companies, or SAFE Circular 7 in 2012. Pursuant to SAFE Circular 7, employees, directors, supervisors, and other senior officers who participate in any equity incentive plan of publicly-listed overseas companies and who are PRC citizens or non-PRC citizens residing in China for a consecutive period of no less than one year, subject to a few exceptions, are required to register with SAFE or its local branches through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed companies, and complete other procedures with respect to the equity incentive plan. In addition, the PRC agent is required to amend SAFE registration with respect to the equity incentive plan if there is any material change to the equity incentive plan, the PRC agent or other material changes. The PRC agent must, on behalf of these individuals who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with these individuals' exercise of the employee share options. Such individuals' foreign exchange income received from the sale of stocks and dividends distributed by the overseas listed company and any other income shall be fully remitted into a collective foreign currency account in China opened and managed by the PRC subsidiaries of the overseas listed company or the PRC agent before distribution to such individuals. Shanghai Baozun Wujiang Branch has completed SAFE registration under SAFE Circular 7 on behalf of the participants to our share incentive plans.

Regulations Relating to M&A Rules and Overseas Listing

On August 8, 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, promulgated the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, governing the mergers and acquisitions of domestic enterprises by foreign investors that became effective on September 8, 2006 and was revised on June 22, 2009. The M&A Rules, among other things, require that if an overseas company established or controlled by PRC companies or individuals, or the PRC Citizens, intends to acquire equity interests or assets of any other PRC domestic company affiliated with the PRC Citizens, such acquisition must be submitted to the MOFCOM for approval. The M&A Rules also require that an offshore special vehicle, or a special purpose vehicle formed for overseas listing purposes and controlled directly or indirectly by the PRC companies or individuals, shall obtain the approval of the CSRC prior to overseas listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

On February 17, 2023, the CSRC released the Overseas Listing Filing Rules, which took effect on March 31, 2023. According to the Overseas Listing Filing Rules, the issuer or a major domestic operating company designated by the issuer, as the case may be, shall file with the CSRC, among others, (i) with respect to its follow-on offering in the same foreign market within three business days after completion of the follow-on offering, and (ii) with respect to its follow-on offering and listing in other foreign markets within three business days, after its initial filing of the listing application to the regulator in the place of such intended listing. Non-compliance with the Overseas Listing Filing Rules or an overseas listing completed in breach of the Overseas Listing Filing Rules may result in a warning on the relevant domestic companies and a fine of RMB1 million (US\$140,847.1) to RMB10 million (US\$1.4 million) on them. Furthermore, the supervisors directly responsible and other directly responsible persons of the domestic enterprises may be warned, and fined between RMB500,000 (US\$70,423.5) to RMB5 million (US\$704,235.3 million). The controlling shareholders or actual controllers of the domestic company organize or instigate the relevant illegal acts, or conceals relevant matters resulting in the illegal acts, may be fined between RMB1 million (US\$140,847.1) to RMB10 million (US\$1.4 million).

On February 17, 2023, the CSRC issued the Notice on Administrative Arrangements for the Filing of Domestic Enterprise's Overseas Offering and Listing, which stipulates the domestic enterprises have completed overseas listings are not required to file with CSRC in accordance with the Overseas Listing Filing Rules immediately, but shall carry out filing procedures as required if they conduct refinancing or fall within other circumstances that require filing with the CSRC.

On February 24, 2023, the CSRC and several other administrations jointly released the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (the “**Archives Rules**”), which became effective on March 31, 2023. The Archives Rules apply to both overseas direct offerings and overseas indirect offerings. The Archives Rules provides that, among other things, (i) in relation to the overseas listing activities of domestic enterprises, the domestic enterprises are required to strictly comply with the relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities; (ii) during the course of an overseas offering and listing, if a domestic enterprise needs to publicly disclose or provide to securities companies, accounting firms or other securities service providers and overseas regulators, any materials that contain relevant state secrets or that have a sensitive impact (i.e. be detrimental to national security or the public interest if divulged), the domestic enterprise should complete the relevant approval/filing and other regulatory procedures; and (iii) working papers produced in the PRC by securities companies and securities service institutions, which provide domestic enterprises with securities services during their overseas issuance and listing, should be stored in the PRC, and the transmission of all such working papers to recipients outside of the PRC is required to be approved by competent authorities of the PRC.

Regulations Relating to Employment

The Labor Contract Law and its implementation rules provide requirements concerning employment contracts between an employer and its employees. Pursuant to the Labor Contract Law, a written labor contract is required when an employment relationship is established between an employer and an employee. An employer is obligated to sign a labor contract with an employee with an indefinite term if the employer continues to employ the employee after two consecutive fixed-term labor contracts. The Labor Contract Law and its implementation rules also require compensation to be paid upon certain terminations. Other labor-related regulations and rules of the PRC stipulate the maximum number of working hours per day and per week as well as the minimum wages. An employer is required to set up occupational safety and sanitation systems, implement the national occupational safety and sanitation rules and standards, educate employees on occupational safety and sanitation, prevent accidents at work and reduce occupational hazards.

On December 28, 2012, the Labor Contract Law was amended to impose more stringent requirements on labor dispatch which became effective on July 1, 2013. Pursuant to the amended PRC Labor Contract Law, the dispatched contract workers shall be entitled to equal pay for equal work as a fulltime employee of an employer, and they shall only be engaged to perform temporary, ancillary or substitute works, and an employer shall strictly control the number of dispatched contract workers so that they do not exceed certain percentage of total number of employees. According to the Labor Dispatch Provisions, promulgated by the Ministry of Human Resources and Social Security on January 24, 2014, which became effective on March 1, 2014, (i) the number of dispatched contract workers hired by an employer should not exceed 10% of the total number of its total employees (including both directly hired employees and dispatched contract workers); and (ii) in the case that the number of dispatched contract workers exceeds 10% of the total number of its employees at the time when the Labor Dispatch Provisions became effective (i.e., March 1, 2014), the employer shall formulate a plan to reduce the number of its dispatched contract workers to below the statutory cap prior to March 1, 2016.

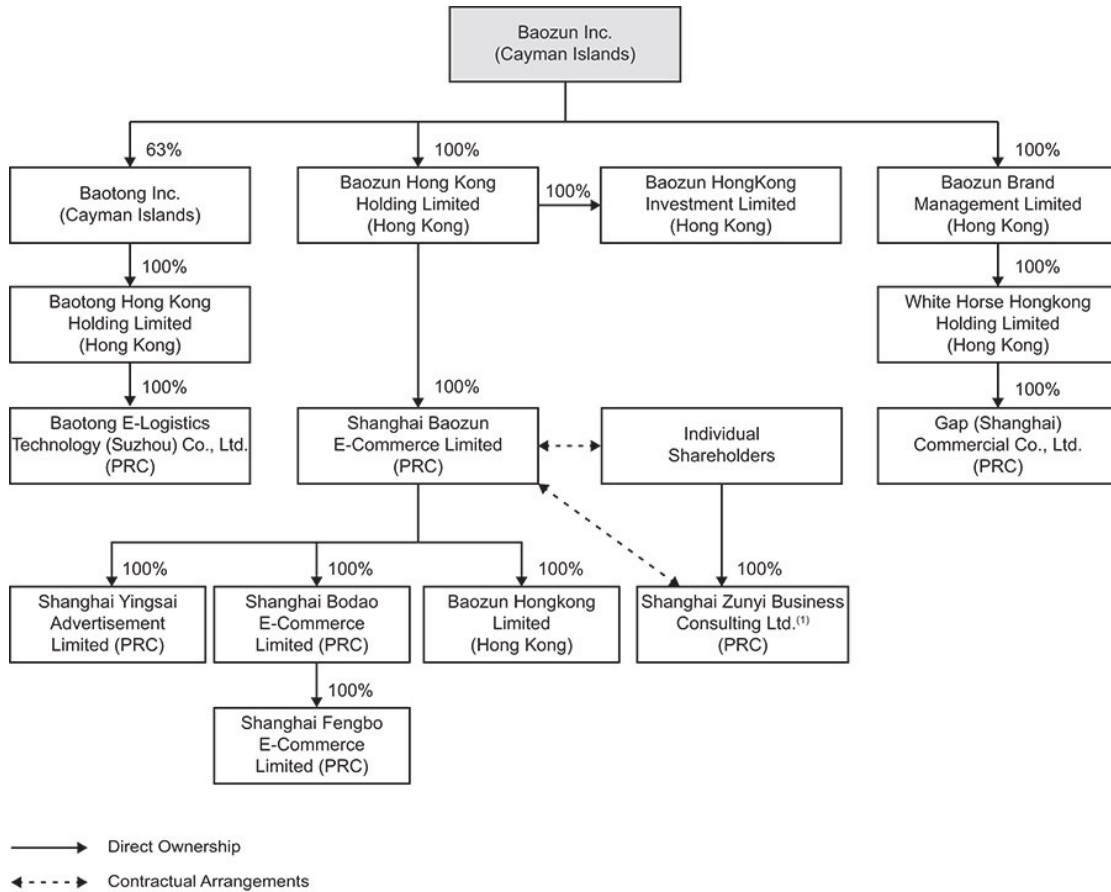
Enterprises in China are required by PRC laws and regulations to participate in certain employee benefit plans, including social insurance funds, namely a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund, and contribute to the plans or funds in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government from time to time at locations where they operate their businesses or where they are located. According to the Social Insurance Law, an employer that fails to make social insurance contributions may be ordered to pay the required contributions within a stipulated deadline and be subject to a late fee. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times the amount overdue. According to the Regulations on Management of Housing Fund, an enterprise that fails to make housing fund contributions may be ordered to rectify the noncompliance and pay the required contributions within a stipulated deadline; otherwise, an application may be made to a local court for compulsory enforcement.

Seasonality

Our results of operations are subject to seasonal fluctuations. For example, our revenues are relatively lower during the holidays in China, particularly during the Chinese New Year period, which occurs in the first quarter of the year, when consumers tend to do less shopping, both online and offline. Furthermore, sales in the retail industry are typically significantly higher in the fourth quarter of the year than in the preceding three quarters, particularly in November when Singles Day campaign occurs and consumers tend to do more shopping.

C. Organizational Structure

The following diagram illustrates our corporate structure and the place of incorporation of each of our significant subsidiaries and VIE as of the date of this annual report.



(1) Shanghai Zunyi is our VIE in China and is 80% owned by Mr. Vincent Wenbin Qiu, our founder, chairman and chief executive officer, and 20% owned by Mr. Michael Qingyu Zhang, our co-founder. Its business includes providing brand e-commerce service to our brand partners.

We have entered into contractual arrangements with Shanghai Zunyi and its shareholders, through which we exercise effective control over operations of Shanghai Zunyi and receive substantially all economic benefits generated from it. As a result of these contractual arrangements, under U.S. GAAP, we are considered the primary beneficiary of Shanghai Zunyi and thus consolidate its results in our consolidated financial statements. However, these contractual arrangements may not be as effective in providing us with control over our VIE as direct ownership of its equity interests. In addition, our VIE or its shareholders may breach the contractual arrangements with us. In such cases, we would have to rely on legal remedies under PRC law, which may not always be effective, particularly in light of uncertainties in the interpretation and enforcement of PRC laws and regulations. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure — We rely on contractual arrangements with our VIE and its shareholders for a portion of our business operations, which may not be as effective as direct ownership in providing operational control.”

Contractual Arrangements with Shanghai Zunyi and Its Shareholders

Our relationships with Shanghai Zunyi and its shareholders are governed by a series of contractual arrangements. The following is a summary of the currently effective contractual arrangements by and among our wholly-owned subsidiary, Shanghai Baozun, our VIE, Shanghai Zunyi, and the shareholders of Shanghai Zunyi.

Exclusive Call Option Agreement. On April 1, 2014, Shanghai Zunyi, each of its shareholders and Shanghai Baozun entered into an exclusive call option agreement. Each of Shanghai Zunyi’s shareholders have granted Shanghai Baozun an exclusive call option to purchase their equity interests in Shanghai Zunyi at an exercise price equal to the higher of (i) the registered capital of Shanghai Zunyi; and (ii) the minimum price as permitted by applicable PRC laws. Shanghai Zunyi has further granted Shanghai Baozun an exclusive call option to purchase its assets at an exercise price equal to the book value of the assets or the minimum price as permitted by applicable PRC law, whichever is higher. Shanghai Baozun may nominate another entity or individual to purchase the equity interests or assets, if applicable, under the call options. Each call option is exercisable subject to the condition that applicable PRC laws, rules and regulations do not prohibit completion of the transfer of the equity interests or assets pursuant to the call option. Shanghai Baozun is entitled to all dividends and other distributions declared by Shanghai Zunyi, and each of the shareholders of Shanghai Zunyi has agreed to give up their rights to receive any distributions or proceeds from the disposal of their equity interests in Shanghai Zunyi and to pay any such distributions or premium to Shanghai Baozun with deduction of applicable taxes. The exclusive call option agreement remains in effect until the equity interest and assets that are the subject of such agreements are transferred to Shanghai Baozun or its designated entities or individuals. To the extent permitted by law, Shanghai Zunyi and its shareholders are not contractually entitled to terminate the exclusive call option agreement with Shanghai Baozun.

Proxy Agreement. On July 25, 2019, Shanghai Zunyi, each of its shareholders and Shanghai Baozun entered into an amended and restated voting right proxy agreement, or the Proxy Agreement, which supersedes the voting right proxy agreement previously entered into on July 28, 2014. Each shareholder of Shanghai Zunyi granted an irrevocable power of attorney to Shanghai Baozun that authorizes any person designated by Shanghai Baozun to exercise his rights as an equity holder of Shanghai Zunyi, including the right to attend and vote at equity holders’ meetings and appoint directors. The proxy agreement has an initial term of 20 years and will be automatically renewed on a yearly basis thereafter unless otherwise notified by Shanghai Baozun. If (i) the operating term of Shanghai Baozun or Shanghai Zunyi expires; or (ii) the parties thereto mutually agree on an early termination, the proxy agreement may be terminated. To the extent permitted by law, Shanghai Zunyi and its shareholders are not contractually entitled to terminate the proxy agreement with Shanghai Baozun.

Equity Interest Pledge Agreement. On August 27, 2019, Shanghai Zunyi and each of its shareholders entered into an amended and restated equity interest pledge agreement with Shanghai Baozun, which supersedes the equity interest pledge agreements previously entered into on July 28, 2014. The shareholders of Shanghai Zunyi pledged all of their equity interests in Shanghai Zunyi to Shanghai Baozun to secure their and Shanghai Zunyi’s obligations under certain of the aforementioned agreements and other agreed obligations and as collateral for all of the amounts payable by Shanghai Zunyi to Shanghai Baozun under those agreements. If any event of default as defined under this agreement occurs, Shanghai Baozun, as the pledgee, will be entitled to dispose of the pledged equity interests. In addition, any increase in the registered capital of Shanghai Zunyi will be further pledged in favor of Shanghai Baozun. The equity interest pledge agreements will remain in full effect until all the secured contractual obligations have been performed or all the secured debts have been discharged.

Under PRC laws, the equity pledge is required to be registered with the SAMR, or its competent branches for perfection. The equity pledge of Shanghai Zunyi has already been registered with the relevant branch of the SAMR.

Exclusive Technology Service Agreement. On April 1, 2014, Shanghai Zunyi and Shanghai Baozun entered into an exclusive technology service agreement. Pursuant to the exclusive technology service agreement, Shanghai Baozun has the exclusive right to provide specified technology services to Shanghai Zunyi. Without the prior written consent of Shanghai Baozun, Shanghai Zunyi may not accept the same or similar technology services provided by any third party during the term of the agreement. Shanghai Zunyi agrees to pay to Shanghai Baozun a service fee of 95% of the net revenues of Shanghai Zunyi and extra service fees for additional services provided by Shanghai Baozun as requested by Shanghai Zunyi within three months after each calendar year for the services provided in the preceding year. The agreement has an initial term of 20 years and will be automatically renewed on a yearly basis thereafter unless otherwise notified by Shanghai Baozun, and shall be terminated when the operating term of Shanghai Baozun or Shanghai Zunyi expires. To the extent permitted by law, Shanghai Zunyi is not contractually entitled to terminate the exclusive technology service agreement with Shanghai Baozun.

According to the contractual arrangement entered into by Mr. Vincent Wenbin Qiu and Mr. Michael Qingyu Zhang, each of Mr. Vincent Wenbin Qiu and Mr. Michael Qingyu Zhang confirms that he has made proper arrangements and executed all necessary documents to ensure that, in case of his death, disability, bankruptcy, divorce or other circumstances which may affect his exercise of equity interest, such shareholder's successor, custodian, creditor, spouse or the like who may obtain the Shanghai Zunyi's equity interest or relevant rights will not influence to hinder the performance of these contractual arrangements.

As a result of these contractual arrangements, we have the power to direct the activities of Shanghai Zunyi, and through the service fee paid to us under the exclusive technology service agreement, we can receive substantially all of the economic benefits of Shanghai Zunyi even though we do not receive all of the revenues generated by Shanghai Zunyi. We include the financial results of our VIE and its subsidiaries in our consolidated financial statements in accordance with U.S. GAAP as if they were our wholly-owned subsidiaries. Our VIE contributed an aggregate of 8.6%, 6.8% and 6.2% of our net revenues for the years ended December 31, 2021, 2022 and 2023, respectively.

In the opinion of Han Kun Law Offices, our PRC legal counsel, (i) the ownership structures of Shanghai Baozun and Shanghai Zunyi do not violate any mandatory requirements of applicable PRC laws and regulations currently in effect; (ii) the contractual arrangements between Shanghai Baozun, Shanghai Zunyi and its shareholders governed by PRC law are valid, binding and enforceable, and do not result in any violation of mandatory requirements of applicable PRC laws or regulations currently in effect; and (iii) the contractual arrangements entered into by the variable interest entity, the corresponding subsidiaries and the respective VIE equity holders governed by PRC laws and regulations do not violate any provisions of the articles of association currently in effect of the variable interest entity or the corresponding subsidiaries.

Based on the above, our directors believe that the agreements underlying the contractual arrangements as described above that confer significant control and economic benefits from our VIE to us are enforceable under the relevant laws.

As of the date of this annual report, we had not encountered any interference or encumbrance from any PRC governing bodies in operating our business through our VIE under the contractual arrangements.

Under relevant PRC laws and regulations, none of our company and Shanghai Baozun is expressly legally required to share the losses of, or provide financial support to, our VIE. Further, our VIE is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Shanghai Baozun intends to continuously provide to or assist our VIE in obtaining financial support when deemed necessary. Given that we include the financial results of our VIE and its subsidiaries in our consolidated financial statements in accordance with U.S. GAAP as if they were our wholly-owned subsidiaries, any losses suffered by our VIE would be reflected in our consolidated financial statements. There are certain risks involved in our corporate structure and the contractual arrangements. A detailed discussion of material risks relating to our Contractual Arrangements is set forth in the section headed "Item 3. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure." We have determined that the costs of insurance for the risks associated with our corporate structure and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Accordingly, as of the date of this annual report, we did not purchase any insurance to cover the risks relating to the contractual arrangements.

SAFE promulgated SAFE Circular 37 on July 4, 2014, which replaced the former circular commonly known as “SAFE Circular 75” promulgated by SAFE on October 21, 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, 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 increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event.

Mr. Vincent Wenbin Qiu and Mr. Junhua Wu have completed initial filings with the local counterpart of SAFE relating to their initial investments in us.

However, our PRC legal counsel has also advised us that there are substantial uncertainties regarding the interpretation and application of PRC laws, regulations and rules; accordingly, the PRC regulatory authorities may take a view that is contrary to the opinion of our PRC legal counsel. It is uncertain whether any new PRC laws or regulations relating to variable interest entity structures will be adopted or if adopted, what they would provide. If we or our VIE are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure — If the PRC government deems that the contractual arrangements in relation to Shanghai Zunyi do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.” and “Item 3. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure — Any failure by our VIE or its respective or its shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business.”

We have determined that the costs of insurance for the risks associated with our corporate structure and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Accordingly, as of the Latest Practicable Date, we did not purchase any insurance to cover the risks relating to the contractual arrangements.

D. Property, Plants and Equipment

Properties and Facilities

We are headquartered in Shanghai and leased an aggregate of approximately 91,000 square meters of offices and operation centers as of December 31, 2023. As of the same date, we leased properties with an aggregate gross floor area of over 63,200 square meters in 33 major cities of 22 provinces and municipalities as retail stores for our BBM business line. In addition, as of December 31, 2023, we leased 35 warehouses with an aggregate gross floor area of over 820,000 square meters in Shanghai, Suzhou, Shenzhen, Guangzhou, Langfang, Chengdu, Wuxi, Kunming, Hangzhou and Jiaying. Our premises are leased under operating lease agreements from unrelated third parties.

In addition, as of December 31, 2023, we owned the land use right for an area of approximately 133,500 square meters, located in Suzhou, China, along with title to buildings with a gross floor area of approximately 118,000 square meters located on that land that we use as a warehouse.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis of our financial condition and results of operations is based upon and should be read in conjunction with our audited consolidated combined financial statements and unaudited consolidated combined financial information 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

Factors Affecting Our Results of Operations

Our results of operations and financial condition are affected by the general factors driving the retail industry and online retail, including:

- *Levels of per capita disposable income and consumer spending in China and our target markets.* Consumer spending power has been rising in China and in our other target markets in Asia, including Hong Kong and Taiwan. The growth of the e-commerce market in these markets depends on continued increase in consumption.
- *Development and popularity of e-commerce in China and in our target markets.* Driven by the growth of the internet, broadband, personal computer and mobile penetration and the development of fulfillment, payment and other ancillary services associated with online purchases, e-commerce is expected to rapidly rise in significance in China and in our other target markets in Asia. The growing number of online shoppers has made online marketplaces and other e-commerce channels popular retail platforms for brands. The growth of our business depends on the development and popularity of e-commerce, and the value of e-commerce as part of the expansion strategies of brands.

While our business is influenced by general factors affecting our industry, our operating results are more directly affected by company specific factors, including the following major factors:

- *Our ability to retain and attract brand partners.* The number of our brand partners directly affects our total revenues. We would need to continue to maintain and expand our brand partner base to maintain and grow our revenues.
- *Our ability to increase revenues and manage pricing.* Increases in revenues depend on our ability to attract higher traffic to the online stores, convert more store visitors into consumers, increase consumers' order values, grow repeat customer base, provide superior experience to consumers and expand product offerings. Increases in revenues also depend on our ability to manage product pricing and maintain the level of services fees charged to our brand partners and other customer.
- *Our ability to enhance cooperation with marketplaces and other channels.* We generate a substantial portion of our revenues through product sales on official marketplace stores that we operate on Tmall. Our future growth depends on our ability to enhance cooperation with Tmall and expand working relationships with other major online marketplaces, such as JD.com and Pinduoduo, and social media channels, such as WeChat Mini Programs and RED (Xiaohongshu), as well as emerging live streaming and short video platforms, such as Douyin and Kuaishou.
- *Our ability to innovate and effectively invest in our technology platform and fulfillment infrastructure.* Our ability to innovate and continue to strategize new value-added brand e-commerce service through improved technologies, especially data analytics and marketing know-how, is key to better serving our brand partners and helping them enhance their e-commerce success. This will in turn contribute to our ability to retain and attract brand partners, sell more solutions and generate more revenues. Our ability to invest in our technology platform and fulfillment infrastructure cost-effectively also affects our results of operations.

- *Our ability to manage our business model mix and product mix.* We generally operate e-commerce businesses for our brand partners based on one of our three business models: distribution model, consignment model and service fee model, or, in some circumstances, a combination of these business models. We derive product sales revenues when we sell products to consumers under the distribution model. We derive services revenues primarily under the consignment model and the service fee model. For services provided under the consignment model and the service fee model, we charge fixed fees and/or variable fees primarily based on GMV or other variable factors such as number of orders fulfilled. In addition to serving our brand partners, we also provide digital marketing and other services to other customers under our service fee model. Our net revenues and our profitability could fluctuate depending on the mix of our product sales revenues and services revenues, and brand partners' category mix during certain time period. In addition, depending on the product category, we may derive more revenues from product sales than services, or vice versa, which may further impact our profitability.
- *Our ability to manage and turnaround of Gap Greater China.* In November 2022, our wholly-owned subsidiary, White Horse Hongkong Holding Limited, entered into a share purchase agreement with The Gap, Inc. and Gap (UK Holdings) Ltd. for the acquisition of Gap Greater China, which we believe will serve as a key component of our business operations. The turnaround of Gap Greater China requires significant managerial and financial resources and could result in a diversion of resources from our existing business, which in turn could adversely affect our growth and business operations. In addition, the business operations of any future newly acquired business, including Gap Greater China, could also materially deviate from our expectations, or may have a material adverse impact on their respective business, financial conditions and results of operations. Any such negative developments of Gap Greater China or any future newly acquired business could materially and adversely affect our business, financial condition, and results of operations.
- *Our ability to innovate and develop products.* We believe that product lives at the center of our brand management business and we focus on designing innovative and high-quality products that tailor for Chinese consumers demand. Our Retail Operation System (ROP) allows us to leverage data-driven insights from consumers to improve product development and innovation. This process and feedback loop allows us to drive innovation across our brands' existing product categories to deliver cutting-edge performance for consumers.
- *Our ability to manage localized supply chain.* Since we acquired Gap Greater China business, one of our key focus is on diversifying our localized supplier network, maintaining multiple manufacturing sources and expanding our distribution footprint. We may be impacted by increased costs relating to our expansion efforts, including with respect to raw materials, labor, transportation and sustainability initiatives in an evolving regulatory and public opinion environment. Disruptions in our supply chain operations due to these or other factors could result in product shortages, declining sales, reputational damage or significant costs.
- *Our ability to manage growth, control costs and manage working capital.* Our expansion will result in substantial demands on our management, operational, technological, financial and other resources. Our ability to control cost and manage working capital is key to our success. Our continued success depends on our ability to leverage our scale to obtain more favorable terms, including better credit terms and larger credit lines, from our brand partners, marketplaces, advertising partners, lessors of warehouses and logistics service providers. Our ability to gain better insight into inventory turnover and sales patterns, which allows us to better optimize our working capital, may also affect our operations.

Operational highlights

Operational Highlights of E-Commerce

In 2023, for E-Commerce segment, we achieved total net revenues of RMB7,621 million and adjusted operating profit of RMB164.0 million.

We put our brand partners' needs at the center of everything we do. We are glad with our business development progress in 2023. As of December 31, 2023, we served more than 450 brand partners. During the year, in collaboration with Nielsen, we further upgraded our Net Promoter Score (NPS). We continue to identify opportunities to enhance services to brand partners. For the third consecutive year, we have achieved an excellent NPS rating with 86% of our brand partners give us a positive rating.

As content-based platforms are generating a growing proportion of e-commerce, we established Creative Content to Commerce (CCC) business unit during the year to better capture the emerging needs of content creation and livestreaming. As of December 31, 2023, we have launched five livestreaming studios located in Shanghai, Hangzhou, Wuhan, Hefei and Nantong, all of which equipped with state-of-art technology and experience team.

Furthermore, we also announced a contemplated 51% equity acquisition of Hangzhou Location Information Technology Co., Ltd. (“Location”), a top-tier Douyin partner specializing in apparel and accessories categories. We’re thrilled about the synergistic blend of our market leadership in creative content, compelling portfolio of brand partners and profound e-commerce operating experiences with Location’s exceptional skills and insights in daily livestreaming.

Omni-channel expansion remains a key theme for our brand partners. By the end of the year, approximately 44.7% of our brand partners engaged with us for store operations of at least two channels, compared with 41.8% a year ago. During the year, we started to pilot operations on Tencent’s Video Account platform with brands in FMCG and cosmetics sectors. In the latest Tencent Smart Retail Qianyu Program in October 2023, we won three major awards: Global Operation Excellent Partner, Pioneer Award for Private Domain Training, and Pioneer Award for Video Account Operation.

Cost optimization wise, our regional service centers continued to scale up during the year and helped the Group to reduce costs. Meanwhile, we have proactively utilized artificial intelligence generated content (AIGC) tools in multiple areas such as content creation and art design to enhance efficiency.

As of December 31, 2023, we have set up operation offices in 6 regions out of mainland China, including Hong Kong, Taiwan, Singapore, Malaysia, the Philippines, and France. At the same time, we recruited top and experienced talents locally during the Year. As of December 31, 2023, we have over 100 employees in overseas outside mainland China. We aim to empower brand partners with our strong e-commerce operational capabilities, customized vertical specific solutions, and localized services to better serve the digitalization needs overseas.

Operational Highlights of Brand Management

In 2023, for Brand Management segment, we achieved total net revenues of RMB1,271 million and adjusted operating loss of RMB187.7 million.

In 2023, we prioritized the smooth post-acquisition transition of Gap Shanghai, and focused on refining product and merchandising strategies, building supply chain infrastructures, enhancing back-end systems and developing talent pool.

During the Year, we introduced new locally-designed China-for-China products for Gap Shanghai, aiming to deliver the right product to the right people at the right time. Our new product lines featured three new segments – “Modern Preppy, Urban Workwear and Premium Blue”. These new products were very well welcomed by Chinese consumers and we have seen positive shift of our consumer demographics. In addition, we also optimized our store structure during the Year. We ended fiscal year of 2023 with a total number of 126 stores.

Back-end wise, we made rapid improvements to local supply chain with localized capacity accounting for almost 100% of local sourcing. This agile supply chain enabled us to reduce our design-to-shelf lead time from previous 3 to 6 months to a few weeks, and thus reduced our inventory by 70 days. We also upgraded the back-end IT system for Gap Shanghai and introduced a new omni-channel operating platform, namely Retail Operating Platform (ROP). The ROP’s new architecture, featuring a centralized hub instead of a traditional ERP, achieves more real-time management and utilizes one pool of inventory to increase sales efficiency and inventory turnover across channels.

In addition to Gap Shanghai, we had our second brand under BBM portfolio. In 2023, Baozun Brand Management Limited and ABG Hunter LLC, a subsidiary of Authentic Brands Group (“Authentic”), entered into a share purchase agreement (“JV SPA”), for BBM’s acquisition of 51% equity interest in a special purpose vehicle established by ABG Hunter LLC, which holds the relevant intellectual property of Hunter brands in Greater China and Southeast Asia (“Hunter IP Holdco”). In the meantime, affiliates of Baozun entered into two license agreements with this JV through which this JV granted Baozun’s affiliates the right to manufacture, market, distribute and sell Hunter brand products in Greater China and Singapore and Malaysia respectively on an exclusive basis.

Financial Operations Overview

In 2021, 2022 and 2023, our total net revenues were RMB9,396.3 million, RMB8,400.6 million and RMB8,812.0 million (US\$1,214.1 million), respectively. For the same periods, net revenues from product sales accounted for 41.2%, 31.5% and 38.1%, respectively, of our total net revenues. We recorded net loss of RMB206.0 million, RMB610.4 and RMB222.8 million (US\$31.4 million) in 2021, 2022 and 2023, respectively. We had non-GAAP net income of RMB217.4 million and RMB182.6 million in 2021 and 2022, respectively, and non-GAAP net loss of RMB3.3 million (US\$0.5 million) in 2023. See “Item 5. Operating and Financial Review and Prospects - A. Operating Results - Non-GAAP Financial Measures.”

The following describes key components of our statements of operations:

Net Revenues

We generate revenue from two revenue streams: (i) product sales and (ii) services. We generally operate e-commerce businesses based on one of our three business models: distribution model, consignment model, and service fee model, or, in some circumstances, a combination of the business models.

We derive product sales revenues primarily through selling products to consumers under the distribution model. We select and purchase goods from our brand partners and/or their authorized distributors and generally sell branded goods directly to consumers through our online stores. Revenues generated from product sales include fees charged to consumers for shipping and handling expenses. We record product sales revenue, net of return allowances, value added tax and related surcharges, when the products are delivered and accepted by consumers. We offer consumers an unconditional right of return for a typical period of seven days upon receipt of products. Return allowances, which reduce net revenues, are estimated based on our analysis of returns by categories of products based on historical data. The amount of goods returned was RMB330.7 million, RMB188.9 million and RMB328.8 million (US\$46.3 million) for the years ended December 31, 2021, 2022, and 2023, respectively, accounting for 7.4%, 7.1% and 9.8% of the product sales revenue in the respective periods.

We derive services revenues primarily under the consignment model and service fee model. Under the service fee model, we provide a variety of e-commerce services, such as IT solutions, online store operation, digital marketing, and customer service to our brand partners and other customers. Under the consignment model, in addition to the services provided under the service fee model, we also provide warehousing and fulfillment services, whereby our brand partners (and/or their authorized distributors) stock goods in our warehouses for future sales and we act as an agent to facilitate our brand partners’ online sales of their branded products as we bear no physical and general inventory risk and have no discretion in establishing price.

For services provided under the consignment model or service fee model, we charge our brand partners a combination of fixed fees and/or variable fees based on the value of merchandise sold, number of orders fulfilled or other variable factors. In particular, variable fees based on GMV are calculated using a predetermined ratio that we have negotiated with our brand partners, which may vary depending on factors such as the type and extent of the services we render. Revenue generated from some IT solutions such as one-time online store design and setup services is recognized at a point in time when the services are rendered. Revenue generated from services relating to online store operation, digital marketing, customer services, and warehousing and fulfillment are recognized over the service term in the amount including fixed fees and/or variable fees to which we have a right to invoice.

The following table sets forth our revenues by source for each period indicated.

	For the Year Ended December 31,					
	2021		2022		2023	
	RMB	%	RMB	%	RMB	US\$
Net revenues						
Product sales	3,873,589	41.2	2,644,214	31.5	3,357,202	472,852
Services	5,522,667	58.8	5,756,417	68.5	5,454,811	768,294
Total net revenues	9,396,256	100.0	8,400,631	100.0	8,812,013	1,241,146

Operating expenses

Our operating expenses consist primarily of cost of products, fulfillment expenses, sales and marketing expenses, technology and content expenses, and general and administrative expenses. The following table breaks down our total operating expenses by these categories, by amounts and as percentages of total net revenues for each of the periods presented.

	For the Year Ended December 31,					
	2021		2022		2023	
	RMB	%	RMB	%	RMB	%
Net revenues	9,396,256	100.0	8,400,631	100.0	8,812,013	100 %
Operating expenses						
Cost of products	(3,276,571)	(34.9)	(2,255,950)	(26.9)	(2,409,110)	(27.3)
Fulfillment	(2,661,126)	(28.3)	(2,719,749)	(32.4)	(2,507,306)	(28.5)
Sales and marketing	(2,549,842)	(27.1)	(2,674,358)	(31.8)	(2,829,016)	(32.1)
Technology and content	(448,410)	(4.8)	(427,954)	(5.1)	(505,203)	(5.7)
General and administrative	(525,802)	(5.6)	(371,470)	(4.4)	(855,914)	(9.7)
Other operating income, net	72,516	0.8	95,292	1.1	123,368	1.4
Impairment of goodwill	—	—	(13,155)	(0.2)	(35,212)	(0.4)
Total operating expenses	<u>(9,389,235)</u>	<u>(99.9)</u>	<u>(8,367,344)</u>	<u>(99.6)</u>	<u>(9,018,393)</u>	<u>(102.3)</u>

Cost of products is incurred under the distribution model. Cost of products consists of the purchase price of products and inbound shipping charges, as well as inventory write-downs. Inbound shipping charges to receive products from the suppliers are included in the inventories, and recognized as cost of products upon sale of the products to the consumers. Our cost of products does not include other direct costs related to product sales such as shipping and handling expenses, payroll and benefits of staff, rental expenses of logistic centers and depreciation expenses. Therefore our cost of products may not be comparable to other companies which include such expenses in their cost of products.

Our fulfillment expenses primarily consist of (i) expenses charged by third-party couriers for dispatching and delivering products to consumers, (ii) expenses incurred in operating our fulfillment and customer service center, including personnel cost and expenses attributable to buying, receiving, inspecting and warehousing inventories, retrieval, packaging and preparing customer orders for shipment, and store operations, (iii) rental expenses of leased warehouses, and (iv) packaging material costs. We expect our fulfillment expenses to increase as we will lease more warehouses or cooperate with more warehouse operators to meet the demand driven by the expansion of our fulfillment services. We plan to make our fulfillment operations more efficient by enhancing the utilization rate of available spaces, deploying automated warehouse facilities, optimizing our third-party couriers network, and improving workflow efficiency.

Our sales and marketing expenses primarily consist of payroll, bonus and benefits of sales and marketing staff, advertising costs, service fees paid to marketplaces, agency fees and costs for promotional materials. Our sales and marketing expenses have increased in recent years primarily due to the growth of our sales and marketing team and an expansion of our marketing efforts. We expect that our sales and marketing expenses will continue to increase due to our increased sales volume contributed by our existing and new brand partners and as we devote further efforts to expand digital marketing services for our brand partners and other customers and engage in additional advertising and marketing activities. We plan to make our sales and marketing more efficient by promotion operation automation, enhancing the effectiveness of marketing activities and improving the workflow efficiency.

Our technology and content expenses consist primarily of payroll and related expenses for employees in our technology and system department, technology infrastructure expenses, costs associated with the computers, storage and telecommunications infrastructure for internal use and other costs, such as editorial content costs. We expect spending in technology and content to increase over time as we continue to invest in our technology platform to provide comprehensive services to brand partners.

Our general and administrative expenses consist primarily of payroll and related expenses for our management and other employees involved in general corporate functions, office rentals, depreciation and amortization expenses relating to property and equipment used in general and administrative functions, provision for allowance for doubtful accounts, professional service and consulting fees and other expenses incurred in connection with general corporate purposes. We expect our general and administrative expenses to increase as we incur additional expenses in connection with the expansion of our business and our operations.

Our other operating income, net consist primarily of government subsidies, which mainly consist of cash subsidies by our subsidiaries in the PRC from local governments.

Taxation

Cayman Islands

Our company was incorporated in the Cayman Islands as an exempted company with limited liability.

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation, and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution, brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of the shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of the ordinary shares, nor will gains derived from the disposal of the shares be subject to Cayman Islands income or corporation tax.

Hong Kong

Our subsidiaries incorporated in Hong Kong are subject to 16.5% Hong Kong profit tax on their taxable income generated from operations in Hong Kong. On April 1, 2018, a two-tiered profits tax regime was introduced. The profits tax rate for the first HK\$2 million of profits of corporations is lowered to 8.25%, while profits above that amount continue to be subject to the tax rate of 16.5%.

China

Generally, our subsidiaries and our VIE in China are subject to enterprise income tax on their taxable income in China at a statutory rate of 25%. Entities qualified as “high and new technology enterprises,” are entitled to a preferential enterprise income tax rate of 15%. Five of our subsidiaries qualified as a “high and new technology enterprise” starting from 2018 and renewed the qualification subsequently, and are therefore subject to a 15% preferential income tax rate with a valid term of three years from the year of qualification or renewal. The enterprise income tax is calculated based on the entity’s global income as determined under PRC tax laws and accounting standards.

Before May 1, 2018, we are subject to VAT at a rate of 17% on product sales and 6% on our services, in each case less any deductible VAT we have already paid or borne. On November 19, 2017, the State Council promulgated The Decisions on Abolishing the Provisional Regulations of the PRC on Business Tax and Amending the Provisional Regulations of the PRC on Value-added Tax, or Order 691. According to the VAT Law and Order 691, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, sales of services, intangible assets, real property and the importation of goods within the territory of the PRC are the taxpayers of VAT. The VAT tax rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the VAT tax rate applicable to the small-scale taxpayers is 3%. The Notice of the MOF and the SAT on Adjusting Value-added Tax Rates, or the Notice, was promulgated on April 4, 2018 and came into effect on May 1, 2018. According to the Notice, the VAT tax rate of 17% and 11% are changed into 16% and 10%, respectively. In March 2019, the MOF, the SAT and the General Administration of Customs jointly promulgated the Announcement on the Policies for Furtherance of the Reform of Value-Added Tax, or the Announcement 39, according to which: (i) for VAT taxable sales acts or importation of goods originally subject to VAT tax rates of 16% and 10%, respectively, such tax rates shall be adjusted to 13% and 9%, respectively; (ii) for purchase of agricultural products originally subject to deduction rate of 10%, such deduction rate shall be adjusted to 9%; (iii) for purchase of agricultural products for the purpose of production and sales or consigned processing of goods subject to tax rate of 13%, such tax shall be calculated at the deduction rate of 10%; (iv) for exported goods and labor originally subject to tax rate of 16% and export tax refund rate of 16%, the export tax refund rate shall be adjusted to 13%; and (v) for exported goods and cross-border taxable acts originally subject to tax rate of 10% and export tax refund rate of 10%, the export tax refund rate shall be adjusted to 9%. Announcement 39 became effective on April 1, 2019 and superseded then existing provisions which were inconsistent with Announcement 39. Therefore, from May 1, 2018 to March 31, 2019, the VAT tax rates of our PRC subsidiaries changed from 17% to 16% on product sales. After April 1, 2019, the VAT tax rates of our PRC subsidiaries changed from 16% to 13% on product sales. VAT tax rate of our services revenues remains to be the same as that before May 1, 2018, which is 6%. We are also subject to surcharges on VAT payments in accordance with PRC law.

Dividends paid by our wholly foreign-owned subsidiaries in China to our intermediary holding companies in Hong Kong will be subject to a withholding tax rate of 10%, unless the relevant Hong Kong entity satisfies all the requirements under the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income and Capital entered into on August 21, 2006 and receive approval from the relevant tax authority. If the relevant Hong Kong entities satisfy all the requirements under the tax arrangement and receives approval from the relevant tax authority, then the dividends paid to the Hong Kong entities would be subject to withholding tax at the standard rate of 5%.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a “resident enterprise” under the EIT Law, such entity would be subject to enterprise income tax on its worldwide income at a rate of 25%. See “Item 3. Key Information - D. Risk Factors - Risks Related to Doing Business in the People’s Republic of China - We may be treated as a resident enterprise for PRC tax purposes under the EIT Law, and we may therefore be subject to PRC income tax on our global income.”

Critical Accounting Policies and Estimates

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

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors that should be considered when reviewing our financial statements. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements.

Inventories

Inventories consisting of products available for sale, are valued at the lower of cost or market. Cost of inventories is determined using the weighted average cost method. Valuation of inventories is based on currently available information about expected recoverable value. The estimate is dependent upon factors such as historical trends of similar merchandise, inventory aging, historical and forecasted consumer demand and promotional environment. When evidence exists that the net realizable value of inventory is lower than its cost, a write-down is recognized in cost of products in the consolidated statements of operation in the period when it occurs. Inventory write-downs related to the accidents, i.e. fire, are recorded in other operating income (expense), net in the consolidated statements of operations.

Business combination

We account for business combinations using the acquisition method of accounting, which requires that once control is obtained, the purchase price be allocated to all tangible assets and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. Any excess purchase price over the fair value of the net assets acquired is recorded as goodwill. The determination of the fair value of assets acquired and liabilities assumed requires estimates and assumptions with respect to the revenue growth rates, perpetual growth rate, discount rates and useful lives which to base the cash flow projections. Although we believe that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable assets and liabilities acquired as a result of our acquisitions of interests in our subsidiaries and our VIE. We allocate goodwill to reporting units based on the benefit each reporting unit derived from the business combination. Goodwill is tested for impairment at reporting unit level on an annual basis, or more frequently if events occur or circumstances change, indicating that it is more likely than not the fair value of a reporting unit would be below its carrying value.

Prior to January 1, 2020, we performed a two-step test to determine the amount, if any, of goodwill impairment. In Step 1, we compared the fair value of the reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeded its fair value, we performed Step 2 and compared the implied fair value of goodwill with the carrying amount of that goodwill for that reporting unit. An impairment charge equaled to the amount by which the carrying amount of goodwill for the reporting unit exceeded the implied fair value of that goodwill is recorded, limited to the amount of goodwill allocated to that reporting unit. Starting from January 1, 2020, we adopted ASU 2017-04, “Intangibles – Goodwill and Other (Topic 350): simplifying the test for goodwill impairment,” which simplifies the accounting for goodwill impairment by eliminating Step 2 from the goodwill impairment test. 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, versus determining an implied fair value in Step 2 to measure the impairment loss.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. The fair value of each reporting unit is estimated primarily through the use of a discounted cash flow methodology. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the growth rate for business, estimation of the useful life over which cash flows will occur, and determination of weighted average cost of capital. Changes in these estimates and assumptions could materially affect the determination of fair value and goodwill impairment for each reporting unit.

Recently Issued Accounting Pronouncements Not Yet Adopted

See Item 18 of Part III, “Financial Statements — Note 2 — Summary of Significant Principal Accounting Policies — (ai) Recently Issued Accounting Pronouncements.”

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods indicated both in absolute amount and as a percentage of our total net revenues. Our historical results of operations are not necessarily indicative of the results for any future period.

	For the year ended December 31,						
	2021		2022		2023		
	RMB	%	RMB	%	RMB	US\$	
	(in thousands, except for per share and per ADS data and number of shares)						
Net revenues							
Product sales	3,873,589	41.2	2,644,214	31.5	3,357,202	472,852	38.1
Services	5,522,667	58.8	5,756,417	68.5	5,454,811	768,294	61.9
Total net revenues	9,396,256	100.0	8,400,631	100.0	8,812,013	1,241,146	100.0
Operating expenses⁽¹⁾							
Cost of products	(3,276,571)	(34.9)	(2,255,950)	(26.9)	(2,409,110)	(339,316)	(27.3)
Fulfillment	(2,661,126)	(28.3)	(2,719,749)	(32.4)	(2,507,306)	(353,147)	(28.5)
Sales and marketing	(2,549,842)	(27.1)	(2,674,358)	(31.8)	(2,829,016)	(398,459)	(32.1)
Technology and content	(448,410)	(4.8)	(427,954)	(5.1)	(505,203)	(71,156)	(5.7)
General and administrative	(525,802)	(5.6)	(371,470)	(4.4)	(855,914)	(120,553)	(9.7)
Other operating income, net	72,516	0.8	95,292	1.1	123,368	17,377	1.4
Impairment of goodwill	—	—	(13,155)	(0.2)	(35,212)	(4,960)	(0.4)
Total operating expenses	(9,389,235)	(99.9)	(8,367,344)	99.6	(9,018,393)	(1,270,214)	(102.3)
Income (loss) from operations	7,021	0.1	33,287	0.4	(206,380)	(29,068)	(2.3)
Other income (expenses)							
Interest income	62,943	0.7	45,816	0.5	82,113	11,565	0.9
Interest expense	(56,847)	(0.6)	(56,917)	(0.7)	(41,344)	(5,823)	(0.5)
Unrealized investment loss	(209,956)	(2.2)	(97,827)	(1.2)	(68,031)	(9,582)	(0.8)
Gain (loss) on disposal of investment	150	0.0	(16,967)	(0.2)	—	—	—
(Loss) gain on disposal/acquisition of subsidiaries	—	—	(90,065)	(1.1)	631	89	0.0
Gain on repurchase of 1.625% convertible senior notes due 2024	—	—	7,907	0.1	—	—	—
Impairment loss of investments	(3,541)	(0.1)	(8,400)	(0.1)	—	—	—
Exchange gain (loss)	46,226	0.5	(32,384)	(0.4)	(8,530)	(1,201)	(0.1)
Fair value loss (gain) on derivative liabilities	—	—	(364,758)	(4.3)	24,515	3,453	0.3
Loss before income tax and share of income in equity method investment	(154,004)	(1.6)	(580,308)	(6.9)	(217,026)	(30,567)	(2.5)
Income tax expense	(55,259)	(0.6)	(26,480)	(0.3)	(12,003)	(1,691)	(0.1)
Share of income (loss) in equity method investment	3,300	0.0	(3,586)	0.0	6,253	881	0.1
Net loss	(205,963)	(2.2)	(610,374)	(7.3)	(222,776)	(31,377)	(2.5)
Net (income) loss attributable to noncontrolling interests	(1,505)	0.0	843	0.0	(9,677)	(1,363)	(0.1)
Net income attributable to redeemable noncontrolling interests	(12,362)	(0.1)	(43,759)	(0.5)	(45,969)	(6,475)	(0.5)
Net loss attributable to ordinary shareholders of Baozun Inc.	(219,830)	(2.3)	(653,290)	(7.8)	(278,422)	(39,215)	(3.2)
Net loss per share attributable to ordinary shareholders of Baozun Inc.							
Basic	(1.02)	0.0	(3.56)	0.0	(1.56)	(0.22)	0.0
Diluted	(1.02)	0.0	(3.56)	0.0	(1.56)	(0.22)	0.0
Net loss per ADS attributable to ordinary shareholders of Baozun Inc. ⁽²⁾							
Basic	(3.05)	0.0	(10.69)	0.0	(4.68)	(0.66)	0.0
Diluted	(3.05)	0.0	(10.69)	0.0	(4.68)	(0.66)	0.0
Weighted average shares used in calculating net income per ordinary share							
Basic	216,370,290	—	183,274,855	—	178,549,849	178,549,849	—
Diluted	216,370,290	—	183,274,855	—	178,549,849	178,549,849	—

(1) Share-based compensation expenses are allocated in operating expenses items as follows:

	For the year ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
	(in thousands)			
Fulfillment	(16,845)	(13,730)	(6,443)	(907)
Sales and marketing	(89,275)	(57,548)	(33,955)	(4,782)
Technology and content	(38,001)	(22,512)	(12,184)	(1,716)
General and administrative	(52,426)	(48,591)	(50,867)	(7,165)
	<u>(196,547)</u>	<u>(142,381)</u>	<u>(103,449)</u>	<u>(14,570)</u>

(2) Each ADS represents three Class A ordinary shares.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2023.

Net Revenues

Our total net revenues increased by 4.9% from RMB8,400.6 million in 2022 to RMB8,812.0 million (US\$1,241.1 million) in 2023. The increase in total net revenues was mainly due to the incremental revenue contribution from BBM, a new line of business we launched in the first quarter of 2023.

Operating Expenses

Our operating expenses increased by 7.8% from RMB8,367.3 million in 2022 to RMB9,018.4 million (US\$1,270.2 million) in 2023, which primarily resulted from the acquisition of Gap Shanghai in February 2023.

Cost of Products. Our cost of products increased by 6.8% from RMB2,256.0 million in 2022 to RMB2,409.1 million (US\$339.3 million) in 2023. Cost of products as a percentage of net revenues from product sales decreased from 85.3% in 2022 to 71.8% in 2023 primarily due to the incremental cost of product of RMB581.4 million related to Gap Shanghai, a subsidiary we acquired in the first quarter of 2023.

Fulfillment Expenses. Our fulfillment expenses decreased by 7.8% from RMB2,719.7 million in 2022 to RMB2,507.3 million (US\$353.1 million) in 2023. The decrease was primarily due to the additional savings in customer services expenses resulting from our expanding use of regional service centers.

Sales and Marketing Expenses. Our sales and marketing expenses increased by 5.8% from RMB2,674.4 million in 2022 to RMB2,829.0 million (US\$398.5 million) in 2023. The increase was primarily due to the incremental sales and marketing expenses related to Gap Shanghai, a subsidiary we acquired in the first quarter of 2023.

Technology and Content Expenses. Our technology and content expenses increased by 18.1% from RMB428.0 million in 2022 to RMB505.2 million (US\$71.2 million) in 2023. The increase was mainly due to our ongoing investment in technological innovation and productization, partially offset by our cost control initiatives and efficiency improvements.

General and Administrative Expenses. Our general and administrative expenses increased by 130.4% from RMB371.5 million in 2022 to RMB855.9 million (US\$120.6 million) in 2023. The increase was primarily due to an incremental expense of RMB405.8 million related to BBM business line, including the expenses related to Gap Shanghai, a subsidiary we acquired in the first quarter of 2023, as well as strategic investments expenses in creative content to commerce business unit and brand management.

Other Operating Income, Net. Other operating income was RMB123.4 million (US\$17.4 million) in 2023, compared with RMB95.3 million in 2022, primarily due to the incremental other operating income of RMB16.7 million related to Gap Shanghai, a subsidiary we acquired in the first quarter of 2023.

Impairment of Goodwill. We incurred impairment of goodwill of RMB35.2 million (US\$5.0 million) in 2023, compared to RMB13.2 million in 2022, because the fair value of our reporting unit based on the quantitative impairment test was less than its carrying amount.

Loss from Operations

As a result of the foregoing, our loss from operations was RMB206.4 million (US\$29.1 million) in 2023, compared with income from operations of RMB333.3 million in 2022.

Other Income (Expenses)

We incurred total other expenses for both 2022 and 2023. Our other expenses decreased by 98.3% from RMB613.6 million in 2022 to RMB10.6 million (US\$1.5 million) in 2023. This decrease was mainly due to the fair value loss on derivative liabilities of RMB364.8 million recorded in connection with the 30% equity interest of our subsidiary, Baotong Inc., that we issued to Cainiao Smart Logistics Investment Limited and the disposal of a loss-making subsidiary of its warehouse and supply chain businesses in the year 2022.

Interest Income. Our interest income increased from RMB45.8 million in 2022 to RMB82.1 million (US\$11.6 million) in 2023. The increase was primarily due to an increase in proceeds from short term investments.

Interest Expense. Our interest expense was RMB56.9 million in 2022 and RMB41.3 million (US\$5.8 million) in 2023, which was primarily due to our strengthened comprehensive maintenance and management of funds.

Unrealized Investment Loss. Our unrealized investment loss was RMB68.0 million (US\$9.6 million) in 2023, compared with RMB97.8 million in 2022. The unrealized investment loss in both periods was related to the decrease in the trading price of iClick Interactive, a public company listed on the Nasdaq Global Market that we invested in January 2021. The unrealized investment loss in the fiscal year 2023 was partially offset by the unrealized investment gain of RMB4.2 million, which was related to the increase in the trading price of Lanvin Group, a company listed on the New York Stock Exchange in December 2022 that we invested in June 2021.

Gain (Loss) on Disposal of Investments. We recorded a loss on disposal of investment of RMB17.0 million in 2022.

(Loss) gain on disposal/acquisition of subsidiaries. We recorded a loss on disposal/acquisition of subsidiaries of RMB90.1 million in 2022 and a gain on disposal/acquisition of subsidiaries of RMB0.6 million (US\$0.1 million) in 2023. We incurred a loss on disposal/acquisition of subsidiaries in 2022 primarily because we disposed a loss-making subsidiary of our warehouse and supply chain businesses.

Gain on Repurchase of 1.625% Convertible Senior Notes Due 2024. We incurred gain on repurchase of 1.625% convertible senior notes due 2024 of RMB7.9 million in 2022. We did not record such gain in 2023.

Impairment Loss of Investments. Our impairment loss of investments was RMB8.4 million in 2022. We did not record such loss in 2023.

Exchange Loss. Our exchange loss was RMB8.5 million (US\$1.2 million) in 2023, compared with RMB32.4 million in 2022, primarily due to exchange rate fluctuation between Renminbi and U.S. dollar.

Fair Value Loss (Gain) on Derivative Liabilities. We recorded fair value loss on derivative liabilities of RMB364.8 million in 2022 and fair value gain on derivative liabilities of RMB24.5 million (US\$3.5 million) in 2023, which was primarily due to changes in fair value of the derivative liabilities in connection with the 30% equity interest of our subsidiary, Baotong Inc., that we issued to Cainiao Smart Logistics Investment Limited.

Income Tax Expense

Our income tax expense was RMB12.0 million (US\$1.7 million) in 2023, compared with RMB26.5 million in 2022. Our income tax expense in 2023 was due to taxable profit generated in the same period.

Share of (Loss) Income in Equity Method Investment

Our share of income in equity method investment was RMB6.3 million (US\$0.9 million) in 2023, compared with share of loss in equity method investment was RMB3.6 million in 2022. Our share of loss (income) in equity method investment over these periods resulted from our investment in Beijing Pengtai Baozun E-commerce Co., Ltd., or Pengtai Baozun, and other equity investees.

Net Loss

As a result of the foregoing, our net loss was RMB222.8 million (US\$31.4 million) in 2023, compared with net loss of RMB610.4 million in 2022.

Net Loss Attributable to Ordinary Shareholders of Baozun Inc.

Our net loss attributable to ordinary shareholders of Baozun Inc. was RMB278.4 million (US\$39.2 million) in 2023, compared with net loss attributable to ordinary shareholders of Baozun Inc. of RMB653.3 million in 2022.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2022.

Net Revenues

Our total net revenues decreased by 10.6% from RMB9,396.3 million in 2021 to RMB8,400.6 million in 2022. Net revenues generated from product sales decreased by 31.7% mainly due to deteriorated macro-economic environment and negative impact from the Better Cotton Initiatives while net revenues from services increased by 4.2%. The increase in our net revenues generated from services was primarily attributable to higher revenue contribution from value-added services, especially in digital marketing and IT solutions.

Operating Expenses

Our operating expenses decreased by 10.9% from RMB9,389.2 million in 2021 to RMB8,367.3 million in 2022, which primarily resulted from decreases in our cost of products, general and administrative expenses, and technology and content expenses, partially offset by increases in our fulfillment expenses and sales and marketing expenses.

Cost of Products. Our cost of products decreased by 31.1% from RMB3,276.6 million in 2021 to RMB2,256.0 million in 2022. Cost of products as a percentage of net revenues from product sales increased from 84.6% in 2021 to 85.3% in 2022 primarily due to the optimization of our product portfolio in distribution model.

Fulfillment Expenses. Our fulfillment expenses increased by 2.2% from RMB2,661.1 million in 2021 to RMB2,719.7 million in 2022. The increase was in line with the growth of our revenue generated from our warehousing and fulfillment and IT maintenance services.

Sales and Marketing Expenses. Our sales and marketing expenses increased by 4.9% from RMB2,549.8 million in 2021 to RMB2,674.4 million in 2022. The increase was primarily due to higher cost for front-end staff, which was in line with our business growth in digital marketing services.

Technology and Content Expenses. Our technology and content expenses decreased by 4.6% from RMB448.4 million in 2021 to RMB428.0 million in 2022. The decrease was mainly due to the Company's cost control initiatives and efficiency improvements, which was partially offset by the Company's ongoing investment in technological innovation and productization.

General and Administrative Expenses. Our general and administrative expenses decreased by 29.4% from RMB525.8 million in 2021 to RMB371.5 million in 2022. The decrease was primarily due to higher cost occurred in the same period of last year, which was primarily due to higher rental and an accelerated amortization of leasehold as the Company moved to its new headquarters in 2021, less write-down of account receivable, and the Company's effective cost control initiatives and efficiency improvements in 2022.

Other Operating Income, Net. Other operating income was RMB95.3 million in 2022, compared with RMB72.5 million in 2021. The other operation income in 2022 was mainly government subsidies.

Impairment of Goodwill. We incurred impairment of goodwill of RMB13.2 million in 2022 because the fair value of our reporting unit based on the quantitative impairment test was less than its carrying amount. We did not record impairment of goodwill in 2021.

Income from Operations

As a result of the foregoing, our income from operations was RMB33.3 million in 2022, compared with RMB7.0 million in 2021.

Other Income (Expenses)

We incurred total other expenses for both 2021 and 2022. Our other expenses increased by 281.1% from RMB161.0 million in 2021 to RMB613.6 million in 2022. This increase was mainly due to a fair value loss on derivative liabilities, an increase in loss on disposal of investment, and an increase in exchange loss, partially offset by a decrease in unrealized investment loss.

Interest Income. Our interest income decreased from RMB62.9 million in 2021 to RMB45.8 million in 2022. The decrease was primarily due to a decrease in proceeds from short term investments.

Interest Expense. Our interest expense was RMB56.8 million in 2021 and RMB56.9 million in 2022, which generally remained stable.

Unrealized Investment Loss. Our unrealized investment loss was RMB97.8 million in 2022, compared with RMB210.0 million in 2021. The unrealized investment loss in both periods was related to the decrease in the trading price of iClick Interactive, a public company listed on the Nasdaq Global Market that we invested in January 2021. The unrealized investment loss in the fiscal year 2022 was partially offset by the unrealized investment gain of RMB4.2 million, which was related to the increase in the trading price of Lanvin Group, a company listed on the New York Stock Exchange in December 2022 that we invested in June 2021.

Gain (loss) on disposal of investments. We recorded a gain on disposal of investments of RMB0.2 million in 2021 and a loss on disposal of investments of RMB17.0 million in 2022.

(Loss) gain on disposal/acquisition of subsidiaries. We recorded a loss on disposal/acquisition of subsidiaries of RMB90.1 million in 2022. We incurred a loss on disposal/acquisition of subsidiaries in 2022 primarily because we disposed a loss-making subsidiary of our warehouse and supply chain businesses, resulting in a loss of RMB90.1 million loss in the third quarter of 2022.

Gain on Repurchase of 1.625% Convertible Senior Notes Due 2024. We incurred gain on repurchase of 1.625% convertible senior notes due 2024 of RMB7.9 million in 2022. We did not record such gain in 2021.

Impairment Loss of Investments. Our impairment loss of investments was RMB8.4 million in 2022, compared with RMB3.5 million in 2021. Our impairment of investments in 2022 was due to the loss of investment in equity investees. We review the investments for impairment whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable.

Exchange Gain (Loss). Our exchange loss was RMB32.4 million in 2022, compared with exchange gain of RMB46.2 million in 2021. Such change was primarily due to the appreciation of RMB against the U.S. dollar, as we had net assets in U.S. dollar during 2022.

Fair Value Loss on Derivative Liabilities. We recorded fair value loss on derivative liabilities of RMB364.8 million in 2022, which was primarily due to changes in fair value of the derivative liabilities in connection with the 30% equity interest of our subsidiary, Baotong Inc., that we issued to Cainiao Smart Logistics Investment Limited. We did not record any fair value loss on derivative liabilities in 2021.

Income Tax Expense

Our income tax expense was RMB26.5 million in 2022, compared with RMB55.3 million in 2021. Our income tax expense in 2022 was due to taxable profit generated in the same period.

Share of Income (Loss) in Equity Method Investment

Our share of loss in equity method investment was RMB3.6 million in 2022, compared with share of income in equity method investment was RMB3.3 million in 2021. Our share of loss (income) in equity method investment over these periods resulted from our investment in Beijing Pengtai Baozun E-commerce Co., Ltd., or Pengtai Baozun, and other equity investees.

Net Loss

As a result of the foregoing, our net loss was RMB610.4 million in 2022, compared with net loss of RMB206.0 million in 2021.

Net Loss (Income) Attributable to Ordinary Shareholders of Baozun Inc.

Our net loss attributable to ordinary shareholders of Baozun Inc. was RMB653.3 million in 2022, compared with net loss attributable to ordinary shareholders of Baozun Inc. of RMB219.8 million in 2021.

Segment Information

Beginning with the first quarter of 2023, we implemented certain segment reporting changes to better reflect our strategic transformation initiatives. As a result, we reported two operating segments, namely E-Commerce and Brand Management in 2023. Specifically, E-Commerce include BEC and BZI business lines and Brand Management include BBM business lines.

The table below provides a summary of our operating segment results.

	For the fiscal year ended December 31,	
	2022 RMB	2023 RMB
Net revenues:		
E-Commerce	8,400,631	7,621,114
Brand Management	—	1,271,027
Inter-segment eliminations *	—	(80,128)
Total consolidated net revenues	8,400,631	8,812,013
Adjusted Operating Profits (Losses) **: 		
E-Commerce	256,093	163,990
Brand Management	—	(187,663)
Total Adjusted Operating Profits	256,093	(23,673)
Inter-segment eliminations *	—	—
Unallocated expenses:		
Share-based compensation expenses	(142,381)	(103,449)
Amortization of intangible assets resulting from business acquisition	(39,431)	(31,875)
Acquisition-related expenses	(13,694)	(12,171)
Cancellation fees of repurchased shares	(4,650)	—
Loss on variance from expected contingent acquisition payment	(9,495)	—
Impairment of goodwill	(13,155)	(35,212)
Total other expenses	(613,595)	(10,646)
Loss before income tax	(580,308)	(217,026)

*The inter-segment eliminations mainly consist of revenues from services provided by E-Commerce to Brand Management.

**Adjusted Operating Profits (Losses) represent segment profits (losses), which is income (loss) from operations from each segment without allocating share-based compensation expenses, acquisition-related expenses and amortization of intangible assets resulting from business acquisition.

For E-Commerce segment, we achieved total net revenues of RMB7,621 million and RMB8,401 million in the fiscal year of 2023 and 2022 respectively. The decline of E-Commerce segment revenue was mainly due to the weak macroeconomic conditions, decline in revenues in the appliance and electronics categories as the Company's optimization initiatives under distribution model, and the disposal of a loss-making subsidiary in warehouse and fulfillment business during the fourth quarter of 2022. We achieved adjusted operating profit of RMB164 million and RMB256 million in the fiscal year of 2023 and 2022 respectively. The decline of E-Commerce segment adjusted operating profit was mainly due to the decline in total revenues, along with our strategic investment initiatives such as Creative Content to Commerce.

For Brand Management segment, we achieved total net revenues of RMB1,271 million and nil. in the fiscal year of 2023 and 2022 respectively. The increase of Brand Management segment revenue was mainly due to the incremental revenue contribution from Gap Greater China, our newly acquired business in 2023. We achieved adjusted operating loss of RMB188 million and nil. in the fiscal year of 2023 and 2022 respectively. The Brand Management segment adjusted operating loss was mainly due to Gap Greater China, which has shown decent momentum in reducing its operating loss on year-over-year comparable basis.

Non-GAAP Financial Measures

In evaluating our business, we consider and use non-GAAP income (loss) from operations, non-GAAP net income (loss), non-GAAP net income (loss) attributable to ordinary shareholders of Baozun Inc., and non-GAAP net income (loss) attributable to ordinary shareholders of Baozun Inc. per ADS, as supplemental measures to review and assess our operating performance. The presentation of these non-GAAP financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with U.S. GAAP. Non-GAAP income (loss) from operations is income (loss) from operations excluding the impact of share-based compensation expenses, amortization of intangible assets resulting from business acquisition, acquisition-related expenses, impairment of goodwill, loss on variance from expected contingent acquisition payment, and cancellation fees of repurchased ADSs and returned ADSs. Non-GAAP net income (loss) is net income (loss) excluding the impact of share-based compensation expenses, amortization of intangible assets resulting from business acquisition, acquisition-related expenses, impairment of goodwill and investments, loss on variance from expected contingent acquisition payment, cancellation fees of repurchased ADSs and returned ADSs, fair value loss on derivative liabilities, loss on disposal of subsidiaries and investment in equity investee, and unrealized investment loss. Non-GAAP net income (loss) attributable to ordinary shareholders of Baozun Inc. is net income (loss) attributable to ordinary shareholders of Baozun Inc. excluding the impact of share-based compensation expenses, amortization of intangible assets resulting from business acquisition, acquisition-related expenses, impairment of goodwill and investments, loss on variance from expected contingent acquisition payment, cancellation fees of repurchased ADSs and returned ADSs, fair value loss on derivative liabilities, loss on disposal of subsidiaries and investment in equity investee, and unrealized investment loss. Non-GAAP net income (loss) attributable to ordinary shareholders of Baozun Inc. per ADS is non-GAAP net income (loss) attributable to ordinary shareholders of Baozun Inc. divided by weighted average number of shares used in calculating net income (loss) per ordinary share multiplied by three, as each ADS represents three of our Class A ordinary shares.

We present the non-GAAP financial measures because they are also used by our management to evaluate our operating performance and formulate business plans. Non-GAAP income (loss) from operations, non-GAAP net income (loss), non-GAAP net income (loss) attributable to ordinary shareholders of Baozun Inc. and non-GAAP net income (loss) attributable to ordinary shareholders of Baozun Inc. per ADS enable our management to assess our operating results without considering the impact of share-based compensation expenses, amortization of intangible assets resulting from business acquisition, acquisition-related expenses, impairment of goodwill, loss on variance from expected contingent acquisition payment, and cancellation fees of repurchased ADSs and returned ADSs. Such items are non-cash expenses that are not directly related to our business operations. Share-based compensation expenses represent non-cash expenses associated with share options and restricted share units we grant under share incentive plans. Amortization of intangible assets resulting from business acquisition represents non-cash expenses associated with intangible assets acquired through one-off business acquisition. Unrealized investment loss represents non-cash expenses associated with the change in fair value of the equity investment. We believe that, by excluding such non-cash items, the non-GAAP financial measures help identify the trends underlying our core operating results that could otherwise be distorted. As such, we believe that the non-GAAP financial measures facilitate investors' assessment of our operating performance, enhance the overall understanding of our past performance and future prospects and allow for greater visibility with respect to key metrics used by our management in their financial and operational decision-making.

The non-GAAP financial measures are not defined under U.S. GAAP and are not presented in accordance with U.S. GAAP. The non-GAAP financial measures have limitations as analytical tools. One of the key limitations of using non-GAAP income (loss) from operations, non-GAAP net income (loss), non-GAAP net income (loss) attributable to ordinary shareholders of Baozun Inc. and non-GAAP net income (loss) attributable to ordinary shareholders of Baozun Inc. per ADS is that they do not reflect all items of income (loss) and expense that affect our operations. Share-based compensation expenses and amortization of intangible assets resulting from business acquisition and unrealized investment loss have been and may continue to be incurred in our business and are not reflected in the presentation of non-GAAP income (loss) from operations, non-GAAP net income (loss), non-GAAP net income (loss) attributable to ordinary shareholders of Baozun Inc. and non-GAAP net income (loss) attributable to ordinary shareholders of Baozun Inc. per ADS. Further, the non-GAAP measures may differ from the non-GAAP measures used by other companies, including peer companies, and therefore their comparability may be limited. In light of the foregoing limitations, the non-GAAP income (loss) from operations, non-GAAP net income (loss), non-GAAP net income (loss) attributable to ordinary shareholders of Baozun Inc. and non-GAAP net income (loss) attributable to ordinary shareholders of Baozun Inc. per ADS for the period should not be considered in isolation from or as an alternative to income (loss) from operations, net income (loss), net income (loss) attributable to ordinary shareholders of Baozun Inc., net income (loss) attributable to ordinary shareholders of Baozun Inc. per ADS, or other financial measures prepared in accordance with U.S. GAAP.

We compensate for these limitations by reconciling the non-GAAP financial measure to the nearest U.S. GAAP performance measure, which should be considered when evaluating our performance. We encourage you to review our financial information in its entirety and not rely on a single financial measure.

[Table of Contents](#)

A reconciliation of these non-GAAP financial measures in 2021, 2022 and 2023 to the nearest U.S. GAAP performance measures is provided below:

	For the year ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
	(in thousands)			
Income (loss) from operations	7,021	33,287	(206,380)	(29,068)
Add: Share-based compensation expenses	196,547	142,381	103,449	14,570
Amortization of intangible assets resulting from business acquisition	20,536	39,431	31,875	4,489
Acquisition-related expenses	—	13,694	12,171	1,714
Impairment of goodwill	—	13,155	35,212	4,960
Loss on variance from expected contingent acquisition payment	—	9,495	—	—
Cancellation fees of repurchased ADSs and returned ADSs	—	4,650	—	—
Non-GAAP income (loss) from operations	224,104	256,093	(23,673)	(3,335)
Net loss	(205,963)	(610,374)	(222,776)	(31,377)
Add: Share-based compensation expenses	196,547	142,381	103,449	14,570
Amortization of intangible assets resulting from business acquisition	20,536	39,431	31,875	4,489
Acquisition-related expenses	—	13,694	12,171	1,714
Impairment of goodwill and investments	—	21,555	35,212	4,960
Loss on variance from expected contingent acquisition payment	—	9,495	—	—
Cancellation fees of repurchased ADSs and returned ADSs	—	4,650	—	—
Fair value loss on derivative liabilities	—	364,758	(24,515)	(3,453)
Loss on disposal of subsidiaries and investment in equity investee	—	107,032	(631)	(89)
Unrealized investment loss	209,956	97,827	68,031	9,582
Less: Tax effect of amortization of intangible assets resulting from business acquisition	(3,686)	(7,880)	(6,086)	(857)
Non-GAAP net income (loss)	217,390	182,569	(3,270)	(461)
Net loss attributable to ordinary shareholders of Baozun Inc.	(219,830)	(653,290)	(278,422)	(39,215)
Add: Share-based compensation expenses	196,547	142,381	103,449	14,570
Amortization of intangible assets resulting from business acquisition	15,574	30,076	24,206	3,409
Acquisition-related expenses	—	13,694	12,171	1,714
Impairment of goodwill and investments	—	21,555	35,212	4,960
Loss on variance from expected contingent acquisition payment	—	9,495	—	—
Cancellation fees of repurchased ADSs and returned ADSs	—	4,650	—	—
Fair value loss (gain) on derivative liabilities	—	364,758	(24,515)	(3,453)
Loss (gain) on disposal of subsidiaries and investment in equity investee	—	107,032	(652)	(92)
Unrealized investment loss	209,956	97,827	68,031	9,582
Less: Tax effect of amortization of intangible assets resulting from business acquisition	(2,645)	(5,972)	(4,569)	(644)
Non-GAAP net income (loss) attributable to ordinary shareholders of Baozun Inc.	199,602	132,206	(65,089)	(9,169)
Non-GAAP net income (loss) attributable to ordinary shareholders of Baozun Inc. per ADS:				
Basic	2.77	2.16	(1.09)	(0.15)
Diluted	2.72	2.13	(1.09)	(0.15)
Weighted average shares used in calculating net income				
Basic	216,370,290	183,274,855	178,549,849	178,549,849
Diluted	216,370,290	185,897,231	178,549,849	178,549,849

B. Liquidity and Capital Resources

Cash Flows and Working Capital

We have financed our operations primarily through cash generated from operating activities and short-term and long-term bank borrowings. As of December 31, 2023, we had RMB2,149.5 million (US\$302.8 million) in cash and cash equivalents and RMB202.8 million (US\$28.6 million) in restricted cash. Our cash and cash equivalents generally consist of bank deposits. As of December 31, 2023, we had credit facilities with terms ranging from three months to one year for an aggregate amount RMB3,715.8 million (US\$523.4 million) from 18 Chinese commercial banks. Under these credit facilities, we had RMB183.2 million (US\$25.8 million) as guarantee for the issuance of notes payable, and RMB107.2 million (US\$15.1 million) for the issuance of letters of guarantee to our suppliers, so as of December 31, 2023, we had RMB 2,309.7 million (US\$325.3 million) available for future borrowing under these credit facilities.

We also pledged cash of RMB202.8 million (US\$28.6 million) to banks in relation to bank guarantees issued on behalf of us, deposit required by our business partners or security for issuance of commercial acceptance notes that mainly relate to purchase of inventories as of December 31, 2023.

In April 2019, we completed our offering of the 2024 Notes in the aggregate principal amount of US\$275.0 million. Our 2024 Notes will mature on May 1, 2024, unless earlier repurchased or converted into our ADSs based on an initial conversion rate of 19.2308, before the ADS split, subject to change, of our ADSs per US\$1,000 principal amount of the 2024 Notes. The conversion rate may be increased in connection with a make-whole fundamental change and is subject to adjustment upon occurrence of certain events. The holders may require us to repurchase all or portion of the 2024 Notes for cash on May 1, 2022, or upon a fundamental change, at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid interest. The 2024 Notes bear interest at a rate of 1.625% per annum, payable in arrears semi-annually on May 1 and November 1, began November 1, 2019. In March 2022, we entered into separate and individually privately negotiated transactions with certain holders of the 2024 Notes to repurchase approximately US\$166.3 million principal amount of the 2024 Notes. On April 1, 2022, we announced a tender offer to repurchase the outstanding 2024 Notes and the repurchase right expired at 5:00 p.m., New York City time, on Thursday, April 28, 2022. All the outstanding principal amount of the 2024 Notes were validly surrendered and not withdrawn for repurchase prior to the expiration of the repurchase right. On May 2, 2022, the 2024 Notes were fully repurchased.

We believe that our current levels of cash balances, cash flows from operations and existing credit facilities will be sufficient to meet our anticipated cash needs to fund our operations for at least the next 12 months. In addition, our cash flows from operations could be affected by our payment terms with our brand partners. Furthermore, we may need additional cash resources in the future if we experience changes in business conditions or other developments. We may also need additional cash resources in the future if we find and wish to pursue opportunities for investment, acquisition, capital expenditure or similar actions. If we determine that our cash requirements exceed the amount of cash and cash equivalents we have on hand, we may seek to issue debt or equity securities or obtain additional credit facilities.

Our accounts receivable mainly represent amounts due from customers and consumers and are recorded net of allowance for doubtful accounts. Under the distribution model, we generally receive funds from the e-commerce platforms within no more than two weeks after online consumers have confirmed receipt of goods. As of December 31, 2021, 2022 and 2023, our accounts receivable amounted to RMB2,260.9 million and RMB2,292.7 million and RMB2,184.7 million (US\$307.7 million), respectively. As of the date of this annual report, we have settled RMB1,814.3 million (US\$255.5 million) of our accounts receivable as of December 31, 2023, constituting 83.0% of the accounts receivable then outstanding, net of allowance for doubtful accounts. The decrease in accounts receivable from 2022 to 2023 was due to our strengthened capital management of receivables. Our accounts receivable turnover days were 86 days in 2021, 99 days in 2022 and 93 days in 2023. The decrease in turnover days from 2022 to 2023 was due to our strengthened capital management of receivables, as well as the shortened payment cycles attributable to Gap Greater China, our newly acquired business in 2023 which primarily engages in retail businesses. Accounts receivable turnover days for a given period are equal to the average accounts receivable balances as of the beginning and the end of the period divided by total net revenues during the period and multiplied by the number of days during the period (i.e., the actual number of days in a given year for calculating turnover days in such year or 90 days for calculating turnover days in a given quarter).

Our inventories were RMB1,073.6 million, RMB943.0 million and RMB1,045.1 million (US\$147.2 million) as of December 31, 2021, 2022 and 2023. Our inventory turnover days were 117 days in 2021, 163 days in 2022 and 151 days in 2023. The decrease in our inventories from December 31, 2021 to December 31, 2022 was primarily due to the optimization of our product portfolio, which resulted in contraction in distribution model and a lower inventory volume. The increase in our inventories from December 31, 2022 to December 31, 2023 was primarily due to the incremental inventories related to Gap Greater China, a business we acquired in the first quarter of 2023. The increase in our inventory turnover days from 2021 to 2022 was due to changes in our product mix with new brands acquired. The decrease in our inventory turnover days from 2022 to 2023 was due to our strategy for product sales and distribution model of pursuing high-quality growth with a clear focus on profitability and working capital efficiency, as well as our strengthening of inventory management. Inventory turnover days for a given period are equal to the average inventory balances as of the beginning and the end of the period divided by total cost of products during the period and multiplied by the number of days during the period (i.e., the actual number of days in a given year for calculating turnover days in such year or 90 days for calculating turnover days in a given quarter).

Our accounts payable include accounts payable for payments in connection with inventory that we purchased and products sold under the consignment model and service fee model for which we are responsible for payment collection. As of December 31, 2021, 2022 and 2023, our accounts payable amounted to RMB494.1 million, RMB474.7 million and RMB563.6 million (US\$79.4 million), respectively. The decrease in accounts payable from December 31, 2021 to December 31, 2022 reflected contraction in our scale of distribution model due to the optimization of our product portfolio. The increase in our accounts payable from December 31, 2022 to December 31, 2023 was primarily due to Gap Shanghai, a subsidiary we acquired in the first quarter of 2023. Our accounts payable turnover days were 51 days in 2021, 78 days in 2022 and 79 days in 2023. The increase in accounts payable turnover days from 2021 to 2022 was primarily due to the fluctuations in our product mix. Our accounts payable turnover days remained relatively stable from 2022 to 2023. Accounts payable turnover days for a given period are equal to the average accounts payable balances as of the beginning and the end of the period divided by total cost of products during the period and multiplied by the number of days during the period (i.e., the actual number of days in a given year for calculating turnover days in such year or 90 days for calculating turnover days in a given quarter).

Although we consolidate the results of our VIE, we only have access to cash balances or future earnings of our VIE through our contractual arrangements with it. See “Item 4. Information on the Company - C. Organizational Structure - Contractual Arrangements with Shanghai Zunyi and Its Shareholders.” For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see “- Holding Company Structure.”

As a Cayman Islands exempted company and offshore holding company, we are permitted under PRC laws and regulations to provide funding to our wholly foreign-owned subsidiaries in China only through loans or capital contributions, subject to the approval of or filing with government authorities and limits on the amount of capital contributions and loans. In addition, subject to applicable restrictions under PRC foreign exchange laws and regulations, our wholly foreign-owned subsidiaries in China may provide Renminbi funding to their respective subsidiaries through capital contributions and entrusted loans, and to our VIE only through entrusted loans. See “Item 3. Key Information - D. Risk Factors - Risks Related to Doing Business in the People’s Republic of China - PRC regulations of loans to PRC entities and direct investment in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of our offerings to make loans or additional capital contributions to our foreign-invested enterprises or our VIE.”

Renminbi may be converted into foreign exchange for current account items, including interest and trade- and service-related transactions. As a result, our PRC subsidiaries, our VIE in China may purchase foreign exchange for the payment of license, content or other royalty fees and expenses to offshore licensors, etc.

Our wholly foreign-owned subsidiary may convert Renminbi amounts that it generates in its own business activities, including technical consulting and related service fees pursuant to its contract with our VIE, as well as dividends it receives from its subsidiaries, into foreign exchange and pay them to its non-PRC parent companies in the form of dividends. However, current PRC regulations permit our wholly foreign-owned subsidiary to pay dividends to us only out of their accumulated profits, if any, determined in accordance with its articles of association and Chinese accounting standards and regulations. Our wholly foreign-owned subsidiary is required to set aside at least 10% of its after-tax profits after making up for previous years’ accumulated losses each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its registered capital. These reserves are not distributable as cash dividends. Furthermore, capital account transactions, which include foreign direct investment and loans, must be approved by and/or registered with SAFE and its local branches.

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

	For the year ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net cash (used in) provided by operating activities	(96,107)	382,605	448,255	63,135
Net cash provided by (used in) investing activities	375,820	(1,306,661)	(340,372)	(47,939)
Net cash provided by (used in) financing activities	749,953	(1,650,402)	(8,033)	(1,132)
Net increase (decrease) in cash, cash equivalents and restricted cash	1,029,666	(2,574,458)	99,850	14,064
Cash, cash equivalents and restricted cash, beginning of year	3,731,019	4,699,764	2,245,724	316,304
Effect of exchange rate changes	(60,921)	120,418	6,721	946
Cash, cash equivalents and restricted cash, end of year	4,699,764	2,245,724	2,352,295	331,314

Operating Activities

Net cash provided by operating activities in 2023 was RMB448.3 million (US\$63.1 million) and primarily consisted of net loss of RMB222.8 million (US\$31.4 million), as adjusted for non-cash items, and the effects of changes in operating assets and liabilities. Adjustment for non-cash items primarily included RMB251.6 million (US\$35.4 million) of depreciation and amortization, RMB152.9 million (US\$21.5 million) of inventory write-down, RMB103.4 million (US\$14.6 million) of share-based compensation, RMB19.8 million (US\$2.8 million) of provision for allowance for credit losses, RMB7.4 million (US\$1.0 million) of loss on disposal of property and equipment, RMB6.3 million (US\$0.9 million) of share of income in equity method investment, RMB8.5 million (US\$1.2 million) of exchange loss, RMB35.2 million (US\$5.0 million) of impairment of goodwill, RMB24.5 million (US\$3.5 million) of fair value gain on derivative liabilities, RMB0.6 million (US\$0.1 million) of loss on disposal of subsidiaries and investment in equity investee, and RMB68.0 million (US\$9.6 million) of realized and unrealized loss related to investment securities, partially offset by RMB45.6 million (US\$6.4 million) of deferred income tax. In 2023, the principal items accounting for the changes in operating assets and liabilities were an increase in operating lease right-of-use assets of RMB143.8 million (US\$20.3 million), an increase in other non-current assets of RMB21.7 million (US\$3.1 million), an increase in advance to suppliers of RMB65.9 million (US\$9.3 million), a decrease in accrued expenses and other current liabilities of RMB14.0 million (US\$2.0 million), a decrease in accounts payables of RMB133.5 million (US\$18.8 million), and an increase in amounts due from related parties of RMB4.7 million (US\$0.7 million), partially offset by a decrease in operating lease liabilities of RMB144.2 million (US\$20.3 million), an increase in prepayments and other non-current assets of RMB10.9 million (US\$1.5 million), an increase in tax payables of RMB27.4 million (US\$3.9 million), an increase in amounts due to related party of RMB2.4 million (US\$0.3 million), an increase in accounts receivable of RMB226.9 million (US\$32.0 million), an increase in notes payable of RMB18.8 million (US\$2.6 million), and a decrease in inventories of RMB33.8 million (US\$4.8 million). The increase in our accounts receivable, advances to suppliers, operating lease right-of-use assets was due to the growth of our business.

Net cash provided by operating activities in 2022 was RMB382.6 million and primarily consisted of net loss of RMB610.4 million, as adjusted for non-cash items, and the effects of changes in operating assets and liabilities. Adjustment for non-cash items primarily included RMB196.5 million of depreciation and amortization, RMB161.6 million of inventory write-down, RMB142.4 million of share-based compensation, RMB107.0 million of loss on disposal of subsidiaries and investment in equity investee, and RMB97.8 million of unrealized loss related to investment securities, partially offset by RMB56.1 million of deferred income tax. In 2022, the principal items accounting for the changes in operating assets and liabilities were a decrease in operating lease right-of-use assets of RMB248.5 million, a decrease in advance to suppliers of RMB158.3 million, an increase in accrued expenses and other current liabilities of RMB99.1 million, an increase in accounts payables of RMB57.4 million, partially offset by a decrease in operating lease liabilities of RMB252.3 million, an increase in prepayments and other current assets of RMB135.0 million, a decrease in tax payables of RMB81.2 million, a decrease in amounts due to related party of RMB43.4 million, an increase in accounts receivable of RMB42.4 million, a decrease in notes payable of RMB41.8 million, and an increase in inventories of RMB31.0 million. The increase in our inventories, accounts receivable, advances to suppliers, operating lease right-of-use assets and operating lease liabilities was due to the growth of our business.

Net cash used in operating activities in 2021 was RMB96.1 million and primarily consisted of net loss of RMB206.0 million, as adjusted for non-cash items, and the effects of changes in operating assets and liabilities. Adjustment for non-cash items primarily included RMB206.9 million of depreciation and amortization, RMB210.0 million of unrealized loss of investments, RMB196.5 million of share-based compensation, RMB105.8 million of provision for allowance for credit losses, RMB89.5 million of inventory write-down, and RMB23.7 million of amortization of issuance cost of the 2024 Notes, partially offset by RMB63.7 million of deferred income tax. In 2021, the principal items accounting for the changes in operating assets and liabilities were an increase in operating lease right-of-use assets of RMB570.8 million, a decrease in accrued expenses and other current liabilities of RMB254.6 million, an increase in advance to suppliers of RMB243.8 million, an increase in inventories of RMB137.0 million, an increase in accounts receivable of RMB98.6 million, and a decrease in tax payables of RMB26.7 million, partially offset by an increase in operating lease liabilities of RMB626.1 million, an increase in accounts payables of RMB39.3 million, and an increase in notes payable of RMB28.8 million. The increase in our inventories, accounts receivable, advances to suppliers, operating lease right-of-use assets and operating lease liabilities was due to the growth of our business.

Investing Activities

Net cash used in investing activities in 2023 was RMB340.4 million (US\$47.9 million), and primarily consisted of (i) purchase of short term investment, (ii) purchases of property and equipment, which comprised equipment for warehouse, computer hardware for newly hired employees and leasehold improvements, (iii) acquisition of GAP, (iv) investment in equity investees, and (v) additions of intangible assets due to capitalization of internally developed software.

Net cash used in investing activities in 2022 was RMB1,306.7 million, and primarily consisted of (i) purchase of short term investment, (ii) purchases of property and equipment, which comprised equipment for warehouse, computer hardware for newly hired employees and leasehold improvements, (iii) net cash paid for business combination, (iv) investment in equity investees, and (v) additions of intangible assets due to capitalization of internally developed software.

Net cash provided by investing activities was RMB375.8 million in 2021, and primarily consisted of proceeds from maturity of short-term investments, and partially offset by (i) purchases of property and equipment, which comprised equipment for warehouse, computer hardware for newly hired employees and leasehold improvements, (ii) purchases of investment securities, (iii) net cash paid for business combination, and (iv) investment in equity investees.

Financing Activities

Net cash used in financing activities in 2023 was RMB8.0 million (US\$1.1 million), primarily attributable to (i) repayment of short-term borrowings of RMB1,721.0 million and proceeds from short-term borrowings of RMB1,820.7 million, (ii) contingent payment for acquisition of RMB32.5 million, and (iii) settle derivative liabilities with Cainiao of RMB74.0 million.

Net cash used in financing activities in 2022 was RMB1,650.4 million, primarily attributable to (i) repayment of short-term borrowings of RMB1,375.8 million, and (ii) repurchase of convertible senior notes of RMB1,760.0 million, partially offset by proceeds of RMB1,843.5 million from short-term bank loans.

Net cash provided by financing activities was RMB750.0 million in 2021, primarily attributable to (i) proceeds of RMB1,290.8 million from non-controlling interest's capital contribution, and (ii) proceeds of RMB548.5 million from short-term bank loans, partially offset by repurchase of ordinary shares and ADSs of RMB1,060.4 million.

Capital Expenditures

We had capital expenditures of RMB352.8 million, RMB259.2 million and RMB230.2 million (US\$32.4 million) in 2021, 2022 and 2023, respectively. Our capital expenditures were used primarily for (i) the purchase of buildings, computer hardware, office furniture and equipment and warehouse equipment, (ii) leasehold improvements, (iii) cost incurred for internal development of software, and (iv) land use rights. Actual future capital expenditures may differ from the amounts indicated above. We had no capital commitment as of December 31, 2023.

Contractual Obligations

The following sets forth information regarding our aggregate payment obligations under our contracts and commercial commitments as of December 31, 2023:

	Payments Due by Period									
	Total		Less than 1 year		1-3 years		3-5 years		More than 5 years	
	RMB	US\$	RMB	US\$	RMB	US\$	RMB	US\$	RMB	US\$
Operating lease obligations	1,309,799	184,481	390,362	54,982	498,103	70,156	229,202	32,282	192,133	27,061
Short-term loans	1,115,721	157,146	1,115,721	157,146	—	—	—	—	—	—
Total	2,425,520	341,627	1,506,083	212,128	498,103	70,156	229,202	32,282	192,133	27,061

As of December 31, 2023, we had operating lease liabilities amounting to RMB1,132.1 million (US\$159.5 million), certain of which were secured by the rental deposits and all of which were unguaranteed.

Holding Company Structure

Baozun Inc. is a holding company with no material operations of its own. We conduct our operations primarily through our subsidiaries, our VIE in China. As a result, our ability to pay dividends depends upon dividends paid by our PRC subsidiaries. If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly foreign-owned subsidiaries in China are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with their articles of association and PRC accounting standards and regulations. Under PRC law, each of our subsidiaries and our consolidated VIE in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of the entity's registered capital. Each of our PRC subsidiaries and our consolidated VIE may allocate a portion of its after-tax profits based on PRC accounting standards to a discretionary surplus fund at its discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by SAFE. As of December 31, 2023, the amount restricted, including paid-in capital and statutory reserve funds, was RMB3,335.0 million (US\$469.7 million). Our PRC subsidiaries have not paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

Our VIE, Shanghai Zunyi, contributed an aggregate of 8.6%, 6.8% and 6.2% of our net revenues for the years ended December 31, 2021, 2022 and 2023, respectively.

C. Research and Development

We devote significant resources to our research and development efforts, focusing on developing our technology infrastructure and proprietary systems, expanding our technological footprint and enhancing the digitalization of brand partners' retail business. We have a Technology and Innovation Center with offices in Shanghai and Chengdu dedicated to innovating and upgrading our technologies to reinforce our market leadership in China's brand e-commerce solutions market. The Technology and Innovation Center focuses on enhancing our IT capabilities and helps us shape the market by developing and deploying artificial intelligence solutions in brand e-commerce over time and standardizing new services such as cloud-based operating platforms, big data analysis tools for brand e-commerce, the implementation of artificial intelligence in brand e-commerce over time and the upgrade of current technology systems, in order to serve a wider variety of brand partners and other customers with a broader array of services. In 2019, we upgraded our technology infrastructure to a hybrid cloud model- Baozun Hybrid Cloud - to enhance our storing and computing capabilities. We have integrated and migrated our core e-commerce systems and applications to Baozun Hybrid Cloud, which helped us better utilize cloud computing, enhance the scalability of our business, and improve cost efficiency. We employed 867 IT professionals to design, develop and operate our technology platform as of December 31, 2023.

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 period from January 1, 2023 to December 31, 2023 that are reasonably likely to have a material effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause 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 —Critical Accounting Policies and Estimates.”

Off-Balance Sheet Arrangements

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

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth information regarding our directors and executive officers as of the date of this annual report.

<u>Name</u>	<u>Age</u>	<u>Position(s)/roles and responsibilities</u>	<u>Date of appointment</u>	<u>Year of joining our company</u>
Mr. Vincent Wenbin Qiu	55	Founder, Chairman and Chief Executive Officer	Chairman in December 2013 and Chief Executive Officer in December 2013	2007
Mr. Junhua Wu	44	Co-founder and Director	Director in December 2013	2007
Ms. Yang Liu	39	Director	July 2021	2021
Mr. Satoshi Okada	64	Director	October 2014	2014
Mr. Yiu Pong Chan	50	Independent Director	May 2015	2015
Mr. Steve Hsien-Chieng Hsia	59	Independent Director	May 2016	2016
Mr. Benjamin Changqing Ye	52	Independent Director	May 2016	2016
Mr. Arthur Yu	42	Chief Financial Officer and President of BEC	Chief Financial Officer in December 2020 and President of BEC in December 2022	2020
Mr. Peter Tao Liang	36	Senior Vice President	November 2019	2014
Mr. Jason Nan Xie	49	Vice President	December 2019	2019

Mr. Vincent Wenbin Qiu is our founder. Since the founding of our business in 2007, Mr. Qiu currently serves as chairman of our board of directors and our chief executive officer. Mr. Qiu also has served as a director of several companies in which we have invested. Prior to founding our company, Mr. Qiu participated the founding of Erry Network Technology (Shanghai) Co., Ltd., or Shanghai Erry, in 2000, a company specialized in providing supply chain management solutions and services to consumer brands in China, and served as Shanghai Erry’s chief executive officer from March 2000 to January 2007. From 1993 to 2000, Mr. Qiu worked as a technical and solution architect and held technical management positions in various multinational companies, including NCR (Shanghai) Technology Services Ltd., China Hewlet-Packard Co., Ltd. (HP China) and Sun Microsystems (China) Limited. Mr. Qiu obtained his bachelor’s degree in electronic engineering from Tsinghua University in July 1992 in Beijing, the PRC.

Mr. Junhua Wu is one of our co-founders and has served as our chief operating officer from the founding of our business in 2007 to December 2017, as our chief growth officer from December 2017 to December 2022, and as our director since 2012. From September 2001 to April 2007, Mr. Wu served as director of the professional service department at Shanghai Erry. From April 2000 to September 2001, he worked as senior IT manager in Goodbaby International Group, an international durable juvenile products company headquartered in China.

Ms. Yang Liu has served as a member on our board since July 2021. Ms. Liu joined Alibaba Group in September 2014 and currently serves as the General Manager of Tmall-Business Growth center of Alibaba's Taobao & Tmall Group. In this role, she leads the promotion of digital brand transformation across a variety of industry verticals by leveraging Alibaba's advanced data technologies, and promotes comprehensive Tmall ecological partnership capabilities that bring technology into best practices. In addition, Ms. Liu created the framework of Tmall consumer strategy methodology and widely applied it to common strategy standards. Prior to Alibaba Group, Ms. Yang Liu worked at IBM from September 2008 to September 2014 and was responsible for implementing cross-industry CRM solutions for IBM's global business consulting division, and she supported leading global brands in delivering customer-centric digital transformation projects. Ms. Liu received her bachelor's degree and master's degree from the Shanghai University of Finance and Economics in 2006 and 2008, respectively, and received an MBA degree from the University of Manchester in 2016.

Mr. Satoshi Okada has served as a member on our board since October 2014. Mr. Okada has also served as a director at Alibaba.com Japan since October 2008, and a director of certain entities that are subsidiaries of Alibaba Group, and as a director of GDS Holdings Limited, a China-based developer and operator of high-performance data centers listed on The Nasdaq Stock Market since 2014. From April 2000 to January 2005, Mr. Okada had held various management positions within the Softbank Corp. group. He also served as director at Tsubasa Corporation from 2014 to 2022, Alibaba.com Limited from 2007 to 2012, Ariba Japan K.K., a technology company, from January 2001 to January 2005 and DeeCorp Limited, a software company, from February 2005 to March 2006.

Mr. Yiu Pong Chan has served as our independent director since May 2015. Mr. Chan has served as a special partner of Tumeric Capital Asia IV since April 2021. Mr. Chan served as an executive director from September 2012 to March 2014 and as a managing director from April 2014 to June 2018, at L Catterton Asia, formerly named as L Capital Asia, a private equity fund based in Singapore which is backed by LVMH Moët Hennessy Louis Vuitton S.A, a multinational luxury products company. Mr. Chan was also a non-executive director at Dr. Wu Skincare Co., Ltd, a Taiwan-based company that provides non-surgical skincare products and solutions, from April 2014 to June 2018, and a board observer at YG Entertainment Inc., a music and entertainment company in South Korea from March 2015 to March 2018. Mr. Chan was a vice president and a director at Crescent Point Group from August 2006 to September 2007, and from October 2007 to June 2011, respectively. From June 2002 to June 2006, Mr. Chan was a director of Lone Star Asia-Pacific LTD., Taiwan Branch. Mr. Chan worked with McKinsey & Co. Inc. Hong Kong from February 1999 to June 2002. Mr. Chan holds a master's degree of commerce in accounting and finance with first-class honor in April 1999 and a bachelor's degree of commerce in May 1996 from the University of Auckland.

Mr. Steve Hsien-Chieng Hsia has served as our independent director since May 2016. Mr. Hsia has been the chief executive officer of Playnovate, Inc., an online STEAM education service provider in the U.S., since April 2020. Mr. Hsia has served as a director of Warnes-Starchase Limited, a Singapore-based automobile dealership group, since November 2018. From 2011 to 2013, Mr. Hsia served as the Asia-Pacific chief operating officer of Wunderman Worldwide, LLC, a digital marketing agency under WPP, LLC, an advertising and media holding company. Mr. Hsia co-founded and served as chief executive officer of AGENDA Corporation, a digital marketing agency in Asia from February 1996 to 2013. Prior to AGENDA Corporation (formerly known as DeliriumCyberTouch Corporation and CyberTouch, respectively), Mr. Hsia co-founded NextWare, an enterprise software company in Malaysia and served as the managing director from 1991 to February 1996. Mr. Hsia received his bachelor's degree in computer science from the University of California, Berkeley in May 1987.

Mr. Benjamin Changqing Ye has served as our independent director since May 2016. Mr. Ye has also served as an independent director of NWTN Inc., a mobility technology company listed on the Nasdaq Stock Market, since November 2022; an independent director of VNET Group Inc., a carrier- and cloud-neutral internet data center services provider listed on the Nasdaq Stock Market, since August 2022; an independent director of Hygeia Healthcare Holdings Co., Limited, an oncology healthcare company listed on the Hong Kong Stock Exchange, since September 2019; an independent director of Ascentage Pharma Group International, a biotech company listed on the Hong Kong Stock Exchange, since June 2019; an independent director of Jinxin Fertility Group Limited, a specialized fertility service provider listed on the Hong Kong Stock Exchange, since June 2019; an independent director of Luzhou Bank, a commercial bank listed on the Hong Kong Stock Exchange since December 2018; and an independent director of Niu Technologies Inc., a provider of smart urban mobility solutions listed on The Nasdaq Stock Market, since October 2018. In addition, Mr. Ye has served as a non-executive director of Panjing Harbourview Investment Fund L.L.P. since September 2019. From February 2011 to December 2015, Mr. Ye was a managing director, the chief financial officer and a member of the investment committee of CITIC Private Equity Funds Management Co., Ltd. From April 1993 to January 2011, Mr. Ye worked for PricewaterhouseCoopers, where he mainly focused on M&A advisory work, and successively served as a partner in advisory department, the head of Advisory Services of Shanghai office and the head of Transaction Services of Shanghai office of PricewaterhouseCoopers in China. Mr. Ye received his bachelor's degree in journalism from Huazhong University of Science and Technology in July 1992 in Wuhan, the PRC and an MBA degree from University of Warwick in November 1999 in the United Kingdom. Mr. Ye is a qualified accountant of the Chinese Institute of Certified Public Accountants.

Mr. Arthur Yu has served as our chief financial officer since December 2020 and president of BEC since December 2022. Before joining us on September 1, 2020 as Vice President of Finance, Mr. Yu worked for Jaguar Land Rover Plc, where he served as CFO Greater China and Board Supervisor of the Chery Jaguar Land Rover from 2018 to 2020. Prior to this, Mr. Yu worked for BT Group Plc from 2009 to 2018 and held several senior leadership positions in UK and Hong Kong. His last role within BT Group was CFO, Asia, Middle East and Africa and Chairman of BT China. During his time at BT Group, he delivered significant cashflow and profitability improvement through an operational efficiency programme. In his earlier career, Mr. Yu worked as a management consultant for PricewaterhouseCoopers from 2007 to 2009 and worked for Rolls-Royce Plc under its graduate leadership programme from 2004 to 2007. Mr. Yu received a BSc degree in management sciences from Warwick University in 2003 in England, an MSc degree in management information systems from the London School of Economics in 2004 in England, and an Executive MBA degree from Judge Business School, University of Cambridge in 2016 in England. He is currently a fellow member of the Chartered Institute of Management Accountant.

Mr. Peter Tao Liang currently serves as our senior vice president, in charge of operation of logistics and supply chain group, operation management center and creative content to commerce business unit. Mr. Liang rejoined us in November 2019. Mr. Liang served as our vice president, primarily supervising our logistic and administrative departments, from January 2017 to August 2019. Prior to that, Mr. Liang held a number of positions with us, including our logistics director from April 2014 to January 2017, our sales operation director, responsible for coordinating the front-back operation, from January 2011 to April 2014, our sales director of fast moving consumer products from September 2009 to January 2011, and our manager of logistic from March 2009 to September 2009.

Mr. Jason Nan Xie has served as our vice president in charge of IT engineering and management since December 2019. Prior to joining us, Mr. Xie worked as the chief technology officer at Guangzhou Yingzi Technology Inc., a farm-to-table supply chain technology company, from August 2018 to June 2019. From June 2014 to March 2018, Mr. Xie served as the general manager in charge of R&D operations at Vipshop (US) Inc., a big data and artificial intelligence focused technology subsidiary affiliated to Vipshop Holdings Limited, which is a Chinese online discount retailer listed on the New York Stock Exchange. Mr. Xie worked as a senior product manager at eBay from January 2012 to June 2014. Mr. Xie has extensive experience in enterprise applications and consumer internet industries. He received his bachelor's degree in mathematics from the University of North Carolina at Chapel Hill in May 1997 and master's degree in computer sciences from the University of Wisconsin-Madison in May 2000 in the U.S.

B. Compensation

In 2023, we accrued aggregate fees, salaries and benefits (excluding equity-based grants) of approximately RMB18.1 million (US\$2.6 million) to our directors and executive officers as a group and granted an aggregate of 2,116,200 restricted share units to our directors and executive officers.

We have neither set aside nor accrued any amount of cash to provide pension, retirement or other similar benefits to our officers and directors. Our PRC subsidiaries and variable interest entity are required by law to make contributions equal to certain percentages of each employee's salary for his or her retirement benefit, medical insurance benefits, housing funds, unemployment and other statutory benefits.

The board, acting on the recommendation of our compensation committee, may determine the remuneration to be paid to non-employee directors, being our directors other than our executive directors, namely Mr. Satoshi Okada, Ms. Yang Liu, Mr. Yiu Pong Chan, Mr. Steve Hsien-Chiang Hsia and Mr. Benjamin Changqing Ye. We do not provide employee directors with any additional remuneration for serving as directors other than their remuneration as our employees. Pursuant to our service agreements with our directors, neither we nor our subsidiaries provide benefits to directors upon termination of employment.

Share Incentive Plans

We have adopted a number of share incentive plans since our inception. The following share incentive plans remained effective until November 1, 2022:

- 2014 Share Incentive Plan, or the 2014 Plan; and
- 2015 Share Incentive Plan, or the 2015 Plan.

We adopted the 2022 Share Incentive Plan, or the 2022 Plan, on November 1, 2022 to replace the 2014 Plan and the 2015 Plan. The 2014 Plan, the 2015 Plan and the 2022 Plan are collectively referred to as the Share Incentive Plans.

The following summarizes, as of December 31, 2023, the options and restricted share units that we granted to our directors and executive officers and to other individuals as a group under our Share Incentive Plans to attract and retain the best available personnel, to provide additional incentives to selected employees, directors, and consultants and to promote the success of our business. We and our directors, executive officers and other employees who are PRC residents and who have been granted options or restricted share units will be required to register with SAFE pursuant to applicable PRC laws. See "Item 3. Key Information - D. Risk Factors - Risks Related to Doing Business in the People's Republic of China - Any failure to comply with PRC regulations regarding our employee equity incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions."

2014 Plan and 2015 Plan

In January 2010, Shanghai Baozun adopted a share incentive plan, or the Shanghai Baozun Plan. On May 30, 2014, we adopted our 2014 Plan to roll over the options granted under Shanghai Baozun Plan with the same amount, terms and vesting schedule. As of December 31, 2023, the maximum number of shares which may be issued pursuant to all outstanding awards under the 2014 Plan was 1,887,470.

On May 5, 2015, we adopted our 2015 Plan, which was further amended in July 2016. As of December 31, 2023, the maximum number of shares which may be issued pursuant to all outstanding awards under the 2015 Plan was 2,687,777.

On November 1, 2022, the 2014 Plan and the 2015 Plan were terminated and replaced by the 2022 Plan. The 2014 Plan and the 2015 Plan continue to govern all awards granted prior to November 1, 2022 but no new awards shall be granted under the 2014 Plan and the 2015 Plan following November 1, 2022.

2022 Plan

On November 1, 2022, we adopted our 2022 Plan. The maximum number of shares which may be issued pursuant to all awards under the 2022 Plan initially as of November 1, 2022 is 17,488,424 Class A ordinary shares; provided, however, that the maximum number of shares in respect of all awards which may be granted under the 2022 Plan shall not exceed 10% of the total number of shares outstanding as of the date of approval of the 2022 Plan by the Shareholders. The shares which may be issued pursuant to the awards under the 2022 Plan shall be Class A ordinary shares. As of December 31, 2023, the number of shares which may be issued pursuant to all outstanding awards under the 2022 Plan was 6,595,577.

Key Terms of Share Incentive Plans

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

Plan Administration. Our board of directors will administer the Share Incentive Plans, and may delegate its administrative authority to a committee of one or more members of our board or our chief executive officer, subject to certain restrictions. Among other things, the board of directors will designate the eligible individuals who may receive awards, and determine the types and number of awards to be granted and terms and conditions of each award grant. The administrator of the Share Incentive Plans has the power and discretion to cancel, forfeit or surrender an outstanding award under the Share Incentive Plans, respectively.

Award Agreements. Options and other awards granted under the Share Incentive Plans will be evidenced by a written award agreement that sets forth the material terms and conditions for each grant.

Eligibility. We may grant awards to, among others, the employees, directors, consultants, independent contractors and agents (the “Eligible Individuals”) rendering bona fide services to us or our affiliated or related entities designated by our board, as well as our non-employee directors, provided that awards cannot be granted to consultants, independent contractors, agents or non-employee directors who are resident of any country in the European Union, and any other country which pursuant to applicable laws does not allow grants to non-employees. No Eligible Individual shall have an automatic right to be granted an award pursuant to each of the Share Incentive Plans.

Term of the Option and Stock Appreciation Rights. The term of each option and stock appreciation right granted will not exceed ten years, and the board of directors may extend the term subject to certain limitation under relevant applicable regulations.

Acceleration of Awards upon Corporate Transactions. The board of directors may, in its sole discretion, upon or in anticipation of a corporate transaction, accelerate awards, purchase the awards from the holder or replace the awards, subject to the relevant applicable rules and regulations.

Vesting Schedule. Under the 2014 Plan and the 2015 Plan, the board of directors determines the vesting schedules. Under the 2022 Plan, the awards shall vest no earlier than the first anniversary of the date on which such award is granted unless otherwise permitted under the 2022 Plan and the applicable laws and rules.

Amendment and Termination. The board of directors may at any time amend, modify or terminate the Share Incentive Plans subject to shareholder approval to the extent required by laws and the applicable rules and regulations. Any amendment, modification or termination of the Share Incentive Plans must not impair any rights or obligations under awards already granted without consent of the holder of such awards. Unless terminated earlier, the Share Incentive Plans will expire and no further awards may be granted after the tenth anniversary of the shareholders’ approval of the Share Incentive Plans, respectively.

[Table of Contents](#)

The following table summarizes, as of December 31, 2023, the outstanding options that we granted to our directors, executive officers, and other individuals as a group under our Share Incentive Plans.

Name	Ordinary shares Underlying Outstanding Options	Exercise Price (US\$/Share)	Date of Grant	Date of Expiration
Junhua Wu	1,732,674	0.0136; 0.0001	Various dates from August 29, 2014 to February 6, 2015	Various dates from August 28, 2024 to February 5, 2025
Bin Yu	*	0.0001	May 20, 2015	May 19, 2025
Other individuals as a group	119,796	0.0136; 1.5	various dates from January 30, 2010 to February 6, 2015	various dates from January 29, 2020 to February 5, 2025

* Upon exercise of all options granted and vesting of all restricted share units, would beneficially own less than 1% of our outstanding ordinary shares.

The following table summarizes, as of the date of December 31, 2023, the outstanding restricted share units that we granted to our directors, executive officers, and other individuals as a group under our Share Incentive Plans.

Name	Restricted Share Unit	Date of Grant	Date of Expiration
Arthur Yu	1,527,480	Various dates from September 23, 2020 to April 1, 2023	Various dates from September 22, 2020 to March 31, 2033
Vincent Wenbin Qiu	1,348,992	April 1, 2023	March 31, 2033
Junhua Wu	297,000	Various dates from March 13, 2020 to August 20, 2021	Various dates from March 12, 2030 to August 19, 2031
Peter Tao Liang	*	Various dates from February 17, 2020 to April 1, 2023	Various dates from February 16, 2030 to March 31, 2033
Jason Nan Xie	*	Various dates from February 17, 2020 to April 1, 2023	Various dates from February 16, 2030 to March 31, 2033
Bin Yu	*	August 20, 2021	August 19, 2031
Steve Hsien-Chieng Hsia	*	August 20, 2021	August 19, 2031
Yiu Pong Chan	*	August 20, 2021	August 19, 2031
Benjamin Changqing Ye	*	August 20, 2021	August 19, 2031
Other individuals as a group	2,720,400	Various dates from March 13, 2020 to October 10, 2023	Various dates from March 12, 2030 to October 9, 2033

* Upon exercise of all options granted and vesting of all restricted share units, would beneficially own less than 1% of our outstanding ordinary shares.

C. Board Practices

Board of Directors

Our board of directors consists of seven directors. A director is not required to hold any shares in our company by way of qualification. A director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with us is required to declare the nature of his interest at a meeting of our directors. A general notice given to the directors by any director to the effect that he is a member, shareholder, director, partner, officer or employee of any specified company or firm and is to be regarded as interested in any contract or transaction with that company or firm shall be deemed a sufficient declaration of interest for the purposes of voting on a resolution in respect to a contract or transaction in which he has an interest, and after such general notice it shall not be necessary to give special notice relating to any particular transaction. Subject to the respective rules of Nasdaq and the Hong Kong Stock Exchange and the following paragraph, a director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the directors at which any such contract or proposed contract or arrangement is considered. A director shall not be entitled to vote on (nor shall be counted in the quorum in relation to any resolution of the board in respect of any contract or arrangement or any other proposal whatsoever in connection with our VIE (as defined in our articles of association) and in which he has any material interest conflicting with that of us, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution). If any question shall arise at any meeting of the board as to the materiality of a director's interest or as to the entitlement of any director to vote or form part of the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not be counted in the quorum, such question shall be referred to the directors at the meeting who are not similarly interested, and their ruling shall be final and conclusive.

The directors may exercise all the powers of us to borrow money, mortgage or charge its undertaking, property and uncalled capital or any part thereof, and to issue debentures, debenture stock or other securities whenever money is borrowed or as security for any debt, liability or obligation of us or of any third party. None of our directors has a service contract with us that provides for benefits upon termination of service.

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 must also exercise their powers only for a proper purpose. 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 may be amended and restated from time to time. Our company has a right to seek damages against any director who breaches a duty owed to us.

Our officers are appointed by and serve at the discretion of the board of directors. Our directors are not subject to a term of office and hold office until their resignation, death or incapacity or until their respective successors have been elected and qualified in accordance with our articles of association. A director will be removed from office automatically if the director (i) dies, becomes bankrupt or makes any arrangement or composition with his creditors, (ii) is found to be or becomes of unsound mind, (iii) resigns his office by notice in writing to us, (iv) without special leave of absence from the board of directors, is absent from three consecutive meetings of the board of directors and the board of directors resolves that his office be vacated, or (v) if he shall be removed from office pursuant to our memorandum and articles of association or the Companies Act.

Committees of the Board of Directors

We established three committees under the board of directors: an audit committee, a compensation committee and a nominating and corporate governance committee. We have adopted a charter for each of the three committees.

Audit Committee. Our audit committee consists of Mr. Benjamin Changqing Ye, Mr. Yiu Pong Chan and Mr. Steve Hsien-Chieng Hsia. Mr. Benjamin Changqing Ye is the chairman of our audit committee and the audit committee financial expert under the applicable rules of the SEC. We have determined that Mr. Benjamin Changqing Ye, Mr. Yiu Pong Chan and Mr. Steve Hsien-Chieng Hsia satisfy the “independence” requirements of the Nasdaq Stock Market Rules and Rule 10A-3 under 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 with the independent registered public accounting firm any audit problems or difficulties and management’s response;
- 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;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management and our independent registered public accounting firms;
- reporting regularly to the full board of directors; and
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time.

Compensation Committee. Our compensation committee consists of Mr. Yiu Pong Chan, Mr. Steve Hsien-Chieng Hsia and Mr. Benjamin Changqing Ye. Mr. Yiu Pong Chan is the chairman of our compensation committee. We have determined that Mr. Yiu Pong Chan, Mr. Steve Hsien-Chieng Hsia and Mr. Benjamin Changqing Ye satisfy the “independence” requirements of the Nasdaq Stock Market Rules. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated.

The compensation committee is responsible for, among other things:

- reviewing and recommending to the board with respect to the total compensation package for our four most senior executives;
- approving and overseeing the total compensation package for our executives other than the four most senior executives;
- reviewing and making recommendations to the board of directors with respect to the compensation of our directors; and
- reviewing periodically and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee consists of Mr. Steve Hsien-Chieng Hsia, Mr. Yiu Pong Chan and Mr. Benjamin Changqing Ye. Mr. Steve Hsien-Chieng Hsia is the chairperson of our nominating and corporate governance committee. We have determined that Mr. Steve Hsien-Chieng Hsia, Mr. Yiu Pong Chan and Mr. Benjamin Changqing Ye satisfy the “independence” requirements of the Nasdaq Stock Market Rules. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees.

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

- identifying and recommending nominees for election or re-election to our board of directors, or for appointment to fill any vacancy;
- reviewing annually with our board of directors its current composition in light of the characteristics of independence, age, skills, experience and availability of service to us;
- identifying and recommending to our board the directors to serve as members of committees;
- advising the board periodically with respect to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to our board of directors on all matters of corporate governance and on any corrective action to be taken; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Board Diversity

Board Diversity Matrix (As of March 31, 2024)				
Country of Principal Executive Offices:	People’s Republic of China			
Foreign Private Issuer	Yes			
Disclosure Prohibited Under Home Country Law	No			
Total Number of Directors	7			
	Female	Male	Non-Binary	Did Not Disclose Gender
Part I: Gender Identity				
Directors	1	6	0	0
Part II: Demographic Background				
Underrepresented Individual in Home Country Jurisdiction	1			
LGBTQ+	0			
Did Not Disclose Demographic Background	0			

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 must also exercise their powers only for a proper purpose. 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 may be amended and restated from time to time. Our company has a right to seek damages against any director who breaches a duty owed to us.

Terms of Directors and Officers

Our officers are appointed by and serve at the discretion of the board of directors. Each of the directors has entered into a director agreement with the company for a term of three years, which may be terminated by prior notice in writing served by either party on the other. A director will be removed from office automatically if the director (i) dies, becomes bankrupt or makes any arrangement or composition with his creditors, (ii) is found to be or becomes of unsound mind, (iii) resigns his office by notice in writing to us, (iv) without special leave of absence from the board of directors, is absent from three consecutive meetings of the board of directors and the board of directors resolves that his office be vacated, or (v) if he shall be removed from office pursuant to our memorandum and articles of association or the Companies Act.

Employment Agreements

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a three-year period. We may terminate an executive officer's employment for cause, at any time, without notice or remuneration, for certain acts of the officer, including serious or persistent breach or non-observance of the employment terms or a conviction of a criminal offense. An executive officer may terminate his/her employment at any time with one-month prior written notice. Furthermore, we may terminate the employment at any time without cause upon advance written notice and certain amount of compensation payment.

Each executive officer has agreed to hold, both during and after the employment agreement expires or is earlier terminated, in strict confidence and not to use, except for our benefit, any confidential information of our company. In addition, the majority of our executive officers have agreed to be bound by non-competition restrictions which are set forth in his or her employment agreement.

Indemnification

Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime.

Our sixth amended and restated memorandum and articles of association provides for the indemnification of officers and directors for against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained in or about their conduct of our business or affairs (including as a result of any mistake or judgment) or in the execution or discharge of his duties, powers, authorities or discretions unless such losses or damages arise from dishonesty, fraud or wilful default of such directors or officers. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we have entered into, indemnification agreements with our directors and senior executive officers that will provide such persons with additional indemnification beyond that provided in our sixth amended and restated memorandum and articles of association. Pursuant to the indemnification agreements, we agree to hold harmless and indemnify our directors and officers against all expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf, in connection with any proceedings which the indemnitee was, is or will be involved as a party, including, without limitation, all liability arising out of the negligence or passive wrongdoing of the indemnitee, except that we shall not be obligated to make any payment to the indemnitee that is finally determined to be unlawful or as specified in the indemnification agreements.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

D. Employees

As of December 31, 2023, we had 7,827 full-time employees. We had a total of 8,821 and 7,588 full-time employees as of December 31, 2021 and 2022, respectively. We had a total of 794, 691 and 867 information technology staff as of December 31, 2021, 2022 and 2023, respectively. The decrease in our employees from 2021 to 2022 was primarily due to our disposal of a loss-making subsidiary of our warehouse and supply chain businesses in the third quarter of 2022. The increase in our employees from 2022 to 2023 was primarily due to related to Gap Shanghai, a subsidiary the Company acquired in the first quarter of 2023. As of December 31, 2023, approximately 76.0% of our information technology staff had bachelor's or higher degrees. We have streamlined our R&D team to improve efficiency. The following table provides a breakdown of our employees as of December 31, 2023 by function:

Function	Number
Front-end ⁽¹⁾	5,395
Warehouse and Logistics	1,011
Information technology	867
Back-end ⁽²⁾	554
Total	7,827

(1) Front-end functions include store management and operations, customer service, business development, design and digital marketing.

(2) Back-end functions include administration, finance, legal, internal audit and sales operation team.

Our success depends on our ability to attract, retain and motivate qualified personnel. Our senior management team consists of members that possess overseas or top-tier educational backgrounds, strong IT capabilities, deep industry knowledge and working experience with brand partners. In addition, our brand management team comprises personnel who connect well culturally with brands. We have developed a corporate culture that encourages teamwork, effectiveness, self-development and commitment to providing our brand partners with superior services.

We invest significant resources in the recruitment of employees in support of our fast-growing business operations. We have established procedures and selective standards in recruiting capable employees through various channels, including internal referral, job boards, on campus interviews, job fairs and recruiting agents.

We have established comprehensive training programs, including orientation programs and on-the-job training, to enhance performance and service quality. Our orientation program covers such topics as our corporate culture, business ethics, e-commerce workflows and services. Our on-the-job training includes training of business English and business presentation, management training camp for junior managers and customer service agent career development programs. In 2014, we set up a special dedicated training facility, Baozun College, to further strengthen our internal training programs.

As required by regulations in China, we participate in various government statutory employee benefit plans, including social insurance funds, namely a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund. We are required under PRC law to contribute 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 from time to time. See “Item 3. Key Information - D. Risk Factors - Risks Related to Doing Business in the People’s Republic of China - Failure to make adequate contributions to various employee benefit plans as required by the PRC regulations may subject us to penalties.”

We enter into standard labor contracts with our employees. We also enter into standard confidentiality and non-compete agreements with our senior management. The non-compete restricted period typically expires two years after the termination of employment, and we agree to compensate the employee with a certain percentage of his or her pre-departure salary during the restricted period.

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

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership of our ordinary shares, as of March 31, 2024, by:

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

The calculations in the table below assume there are 183,229,592 ordinary shares (including 169,928,854 Class A ordinary shares, excluding 3,239,277 Class A ordinary shares issued to our depository bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our share incentive plans and the shares repurchased by us from the open market under our share repurchase program, and 13,300,738 Class B ordinary shares) outstanding as of March 31, 2024.

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, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

[Table of Contents](#)

Except as otherwise noted, the address of each person listed in the following table is c/o Baozun Inc., No. 1-9, Lane 510, West Jiangchang Road, Shanghai 200436, the People's Republic of China.

Name	Ordinary Shares Beneficially Owned as of March 31, 2024			
	Class A ordinary shares	Class B ordinary shares	Percentage of total ordinary shares (%)	Percentage of aggregate voting power (%)**
Directors and Executive Officers:				
Vincent Wenbin Qiu ⁽¹⁾	3,281,876	9,410,369	6.8	31.9
Junhua Wu ⁽²⁾	2,550,459	3,890,369	3.5	13.6
Yang Liu ⁽³⁾	26,469,422	—	14.4	8.7
Satoshi Okada ⁽⁴⁾	*	—	*	*
Yiu Pong Chan ⁽⁵⁾	*	—	*	*
Steve Hsien-Chieng Hsia ⁽⁶⁾	*	—	*	*
Benjamin Changqing Ye ⁽⁷⁾	*	—	*	*
Arthur Yu ⁽⁸⁾	*	—	*	*
Peter Tao Liang ⁽⁹⁾	*	—	*	*
Jason Nan Xie ⁽¹⁰⁾	*	—	*	*
All our Directors and Executive Officers as a group ⁽¹¹⁾	33,452,676	13,300,738	24.9	54.2
Principal Shareholders:				
Alibaba Investment Limited ⁽¹²⁾	26,469,422	—	14.4	8.7
Jesvinco Holdings Limited ⁽¹³⁾	10	9,410,369	5.1	31.1
Casvendino Holdings Limited ⁽¹⁴⁾	771,033	3,890,369	2.5	13.1

* Less than 1%

** For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our Class A ordinary shares and Class B ordinary shares as a single class. Each holder of Class A ordinary shares is entitled to one vote per share and each holder of our Class B ordinary shares is entitled to 10 votes per share on all matters submitted to them for a vote. Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law. Our Class B ordinary shares are convertible at any time by the holder thereof into Class A ordinary shares on a one-for-one basis.

- (1) Represents ten Class A ordinary shares and 9,410,369 Class B ordinary shares held by Jesvinco Holdings Limited, a company incorporated in British Virgin Islands wholly owned by Mr. Qiu, 850,807 Class A ordinary shares beneficially owned by Mr. Vincent Wenbin Qiu, and 2,431,059 Class A ordinary shares issuable upon vesting of restricted share units within 60 days of March 31, 2024 held by Mr. Qiu.
- (2) Represents 3,890,369 Class B ordinary shares held by Casvendino Holdings Limited, a company incorporated in the British Virgin Islands wholly owned by Mr. Wu, 1,733,079 Class A ordinary shares beneficially owned by Mr. Wu, and 46,437 and 771,033 Class A ordinary shares issuable upon vesting of restricted share units within 60 days of March 31, 2024 held by Mr. Wu and Casvendino Holdings Limited, respectively.
- (3) Represents 26,469,422 Class A ordinary shares held by Alibaba Investment Limited, a company wholly owned by Alibaba Group Holding Limited. The business address for Ms. Liu is No. 969 West Wenyi Road, Hangzhou, Zhejiang Province, China. Ms. Liu disclaims beneficial ownership of our ordinary shares held by Alibaba Investment Limited.
- (4) Represents Class A ordinary shares issuable upon vesting of restricted share units within 60 days of March 31, 2024 held by Mr. Okada.
- (5) Represents Class A ordinary shares issuable upon vesting of restricted share units within 60 days of March 31, 2024 held by Mr. Chan.
- (6) Represents Class A ordinary shares issuable upon vesting of restricted share units and in the form of ADS held by Mr. Hsia.
- (7) Represents Class A ordinary shares issuable upon vesting of restricted share units within 60 days of March 31, 2024 held by Mr. Ye.

[Table of Contents](#)

- (8) Represents Class A ordinary shares issuable upon vesting of restricted share units within 60 days of March 31, 2024 held by Mr. Yu.
- (9) Represents Class A ordinary shares issuable upon vesting of restricted share units within 60 days of March 31, 2024 held by Mr. Liang.
- (10) Represents Class A ordinary shares issuable upon vesting of restricted share units within 60 days of March 31, 2024 held by Mr. Xie.
- (11) Represents Class A ordinary shares and Class B ordinary shares held by all of our directors and executive officers as a group and ordinary shares issuable upon exercise of options and vesting of restricted share units within 60 days of March 31, 2024 held by all of our directors and executive officers as a group.
- (12) Represents 26,469,422 Class A ordinary shares held by Alibaba Investment Limited. Alibaba Investment Limited is a limited liability company incorporated under the laws of the British Virgin Islands, and is wholly owned by Alibaba Group Holding Limited. Alibaba Group Holding Limited is a public company listed on the New York Stock Exchange and the Hong Kong Stock Exchange. The registered address for Alibaba Investment Limited is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (13) Represents ten Class A ordinary shares and 9,410,369 Class B ordinary shares held by Jesvinco Holdings Limited, a company incorporated in British Virgin Islands wholly owned by Mr. Qiu. The registered address for Jesvinco Holdings Limited is ICS Corporate Services (BVI) Limited, Sea Meadow House, P.O. Box 116, Road Town, Tortola, British Virgin Islands.
- (14) Represents 3,890,369 Class B ordinary shares and 771,033 Class A ordinary shares issuable upon exercise of options and vesting of restricted share units within 60 days of March 31, 2024 held by Casvendino Holdings Limited, a company incorporated in British Virgin Islands wholly owned by Mr. Wu. The registered address for Casvendino Holdings Limited is ICS Corporate Services (BVI) Limited, Sea Meadow House, P.O. Box 116, Road Town, Tortola, British Virgin Islands.

To our knowledge, as of March 31, 2024, a total of 132,766,266 (including 3,239,277 Class A ordinary shares issued to our depository bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our share incentive plans and the shares repurchased by us from the open market under our share repurchase program) Class A ordinary shares are held by one record holder in the United States, i.e., JPMorgan Chase Bank, N.A., the depository of our ADS program. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

For options and restricted share units granted to our officers, directors and employees, see “ — B. Compensation — Share Incentive Plans.”

F. Disclosure of a Registrant’s Action to Recover Erroneously Awarded Compensation

Not applicable.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

See “Item 6. Directors, Senior Management and Employees — E. Share Ownership.”

B. Related Party Transactions

Contractual Arrangements with Shanghai Zunyi and Its Shareholders

We operate our relevant business through contractual arrangements between our wholly-owned subsidiary, Shanghai Baozun, and our VIE, Shanghai Zunyi, and the shareholders of Shanghai Zunyi. For a description of these contractual arrangements, see “Item 4. Information on the Company — C. Organizational Structure — Contractual Arrangements with Shanghai Zunyi and Its Shareholders.”

Transactions and Agreements with Alibaba, Cainiao and AJ (Hangzhou) Network Technology Company Limited

For official marketplace stores on Tmall operated by us, Tmall provides a wide range of services including platform support, pay-for-performance marketing, and display marketing services. In 2021, 2022 and 2023, we incurred service fees of RMB752.8 million, RMB746.9 million and RMB278.9 million (US\$39.3 million), respectively. We incurred commission fees of RMB282.9 thousand, nil, and nil to, and generated services revenue of RMB12.3 million, RMB7.5 million and RMB5.7 million (US\$0.8 million) from, AJ (Hangzhou) Network Technology Company Limited, or AJ, a subsidiary of Alibaba Group, in 2021, 2022 and 2023, respectively. Alibaba Group is one of our major shareholders. See “ — Major Shareholders.” For the nature of the services rendered by AJ to us, see “ — Transactions with Ahead (Shanghai) Trade Co., Ltd. and AJ (Hangzhou) Network Technology Company Limited” below.

On September 30, 2021, Baozun and Baotong entered into a share purchase and subscription agreement with Cainiao, a consolidated subsidiary of Alibaba Group, pursuant to which Cainiao made 30% equity investment in Baotong at a consideration of US\$217.9 million. On the same day, Baozun, Baotong and Cainiao entered into a business cooperation agreement aiming to further explore and develop fulfillment and e-commerce opportunities. Baozun, Baotong and Cainiao entered into a shareholders agreement on October 29, 2021 and an amendment to the shareholders agreement on August 18, 2023 (collectively, the “**Shareholders Agreements**”), which provide for certain special rights for the shareholders of Baotong. In addition, pursuant to the Shareholders Agreements, for a period of 12 months (or such longer period as Baozun and Cainiao may agree) starting from July 29, 2024, Cainiao has a call option, subject to further negotiation, to acquire additional shares so that it will own in an aggregate of 60% equity interest of Baotong, according to the terms and conditions set forth under the shareholders agreement. In addition, if certain triggering events occur, Cainiao has the right to require Baozun to redeem its shares at a price equal to the actual investment plus an internal rate of return of 6% per annum. As of the date of this annual report, Cainiao’s shareholding in Baotong was increased to 37% due to the pre-money valuation adjustment as specified in the Shareholders Agreements.

In 2021, we received logistic services from Cainiao and provide warehousing service to Cainiao and AJ. Cainiao and AJ have been consolidated within the Alibaba Group since October 2017 and August 2019, respectively, and therefore have become our related parties. We incurred logistic service fee of RMB72.5 million, RMB47.6 million and RMB38.4 million (US\$5.4 million) to Alibaba Group and generated warehousing services revenue of RMB32.8 thousand, RMB34.6 million and RMB70.6 million (US\$9.9 million) in 2021, 2022 and 2023, respectively, after Cainiao and AJ became our related parties.

As of December 31, 2023, amounts due from Alibaba Group were RMB48.1 million (US\$6.8 million), representing receivables to be collected from Alibaba Group for store operation services and warehousing services provided by us and deposits paid.

As of December 31, 2023, amounts due to Alibaba Group were RMB30.5 million (US\$4.3 million), mainly representing payable for the commission services provided by AJ, a subsidiary of Alibaba Group and logistics, marketing and platform services fees to be paid to Alibaba Group by us.

Transactions with Ahead (Shanghai) Trade Co., Ltd. and AJ (Hangzhou) Network Technology Company Limited

In October 2014, Ahead (Shanghai) Trade Co., Ltd., or Ahead, a subsidiary of Softbank Corp, became our related party when we issued Series D Shares to Tsubasa Corporation, a subsidiary of Softbank. Tsubasa Corporation is one of our major shareholders. See “ — Major Shareholders.” Ahead helps us develop our brand e-commerce solutions business in Japan by referring potential Japanese brand partners to us. In return, we pay Ahead, as a commission fee, a portion of revenues we derive from brand partners introduced to us by Ahead. In addition, Ahead has engaged us to provide brand e-commerce solutions and services to their own brand clients. We did not incur any related party transaction with Ahead in 2021, 2022 or 2023.

Since August 2019, pursuant to the amended agreement among us, Ahead, and AJ, all transactions and balances with Ahead have been transferred to AJ, which became our related party as a subsidiary of Alibaba. For the amount of commission fees and service fees we paid to AJ, see “ — Transactions and agreements with Alibaba, Cainiao and AJ (Hangzhou) Network Technology Company Limited.”

Transactions with Beijing Pengtai Baozun E-commerce Co., Ltd.

In January 2018, Pengtai Baozun, became our related party as an e-commerce joint venture. We have provided IT services to Pengtai Baozun since 2019. In 2021, 2022 and 2023, we generated services revenue of RMB2.1 million, nil and nil from Pengtai Baozun. We have provided store operation service to Pengtai Baozun since 2022 and generated services revenue of RMB5.0 million and RMB5.2 million (US\$0.7 million) in 2022 and 2023, respectively.

As of December 31, 2023, amounts due from Pengtai Baozun were RMB2.0 million (US\$0.3 million).

Transactions with Shanghai Misako E-commerce Limited

In October 2018, Shanghai Misako E-commerce Limited, or Misako, became our related party as an e-commerce joint venture. We provide store operation services to Misako. We did not incur any related party transaction with Misako in 2021, 2022 or 2023.

Transactions with Hangzhou Juxi Technology Co., Ltd.

In June 2019, Hangzhou Juxi Technology Co., Ltd., or Juxi, became our related party as an e-commerce joint venture. We receive outsourcing labor service, including customer services, from Juxi. In 2021, 2022 and 2023, we incurred outsourcing labor cost of RMB15.2 million, RMB6.4 million and RMB6.5 million (US\$0.9 million) to Juxi, respectively.

As of December 31, 2023, amounts due to Juxi were RMB0.5 million (US\$0.1 million), representing outsourcing labor cost to be paid to Juxi by us.

Transactions with Jiangsu Shanggao Supply Chain Co., Ltd.

In December 2019, Jiangsu Shanggao Supply Chain Co., Ltd., or Shanggao, became our related party as an e-commerce joint venture. We receive logistics services from Shanggao. In 2021, 2022 and 2023, we incurred logistics service fees of RMB0.3 million, nil and nil, respectively, to Shanggao.

As of December 31, 2023, amounts due to Shanggao were nil.

Transactions with Signify (China) Investment Co., Ltd.

In January 2020, Signify (China) Investment Co., Ltd., or Signify Investment, became our related party as an e-commerce joint venture. We provide store operation services, warehousing services and IT services to Signify Investment, and generated service revenue of RMB9.0 million, RMB6.7 million and RMB6.5 million (US\$0.9 million) from Signify Investment in 2021, 2022 and 2023, respectively.

As of December 31, 2023, the amounts due from Signify Investment were RMB1.7 million (US\$0.2 million), representing store operation services fees to be paid by Signify Investment to us.

Transactions with Shanghai Kewei E-Commerce Co., Ltd.

In June 2020, Shanghai Kewei E-commerce Co., Ltd., or Kewei, became our related party as an e-commerce joint venture. We provide store operation services to Kewei, and generated service revenue of RMB1.6 million, RMB0.9 million and RMB3.0 million (US\$0.4 million) from Kewei in 2021, 2022 and 2023, respectively.

Kewei also provides marketing and platform services to us. In 2021, 2022 and 2023, we incurred marketing and platform service fees in an amount of RMB27.0 million, RMB52.8 million and RMB16.3 million (US\$2.3 million) to Kewei, respectively.

As of December 31, 2023, the amounts due from Kewei were 0.9 million (US\$0.1 million).

Transactions with Zunrui (Nantong) E-commerce Co., Ltd.

In August 2020, Zunrui (Nantong) E-commerce Co., Ltd., or Zunrui, became our related party as an e-commerce joint venture. We receive outsourcing labor service, including customer services, from Zunrui. In 2021, we incurred outsourcing labor cost of RMB10.3 million (US\$1.6 million), respectively.

Zunrui was acquired by us in June 2021.

Transactions with Hangzhou Baichen Technology Co., Ltd.

In September 2020, Hangzhou Baichen Technology Co., Ltd., or Baichen, became our related party as an associate. Baichen provides marketing and platform services to us. In 2021, 2022 and 2023, we incurred marketing and platform service fees in an amount of RMB6.2 million, RMB0.7 million and RMB0.7 million (US\$0.1 million) to Baichen, respectively. We provide store operation services to Baichen, and generated service revenue of nil, RMB20 thousand and RMB235 thousand (US\$33 thousand) from Baichen in 2021, 2022 and 2023, respectively.

Transactions with Hunan Leier Media Co., Ltd.

In March 2021, Hunan Leier Media Co., Ltd., or Leier, became our related party as an associate. Leier provides marketing and platform services to us. In 2021, 2022 and 2023, we incurred marketing and platform service fees in an amount of RMB466 thousand, RMB271 thousand and nil to Leier, respectively.

As of December 31, 2023, amounts due to Leier were nil. The amounts due from Leier were nil.

Transactions with Hangzhou Dajing Guangtong Network Technology Co., Ltd.

In May 2021, Hangzhou Dajing Guangtong Network Technology Co., Ltd., or Dajing, became our related party as an associate. Dajing provides marketing and platform services to us. In 2021, 2022 and 2023, we incurred marketing and platform service fees in an amount of RMB665 thousand, RMB250 thousand and nil to Dajing.

Transactions with Jiangsu Creaway Supply Chain Management Co., Ltd.

In June 2021, Jiangsu Creaway Supply Chain Management Co., Ltd., or Creaway Group, became our related party as it is the non-controlling shareholder of Baoleantone. Creaway Group collected logistics service revenues and advanced logistics service fees for Baoleantone of RMB68.6 million (US\$10.8 million) and RMB57.9 million (US\$9.1 million) in 2021, RMB64.6 million (US\$9.4 million) and RMB13.4 million (US\$1.9 million) in 2022, and RMB12.8 million (US\$1.8 million) and RMB1.3 million (US\$0.2 million) in 2023. Creaway Group provided logistics services and received logistics services to and from Baoleantone of RMB2.3 million (US\$0.4 million) and RMB2.2 million (US\$0.4 million) in 2021, respectively, RMB2.2 million (US\$0.3 million) and RMB4.3 million (US\$0.6 million) in 2022, respectively, and RMB1.4 million (US\$0.2 million) and RMB2.9 million (US\$0.4 million) in 2023, respectively.

As of December 31, 2023, amounts due to Creaway Group were RMB1.0 million (US\$0.1 million), mainly representing logistic service expenses advanced by Creaway Group, and amounts due from Creaway Group were RMB6.6 million (US\$0.9 million), mainly representing logistic service fees collected by Creaway Group.

Transactions with Baobida IOT Technology (Suzhou) Co., Ltd

In July 2022, Baobida IOT Technology (Suzhou) Co., Ltd, or “Baobida,” became our related party as an associate. We provided warehousing service to Baobida and generated service revenue of nil RMB461.4 thousand and nil in 2021, 2022, 2023, respectively. Baobida provided logistic service to us. In 2021, 2022 and 2023, we incurred logistic service fees in an amount of nil, RMB8.2 million and RMB0.7 million (US\$0.1 million) to Baobida, respectively.

As of December 31, 2023, amounts due to Baobida werenil, and amounts due from Baobida were nil.

Transactions with Shanghai Mansen Brand Management Co., Ltd

In January 2022, Shanghai Mansen Brand Management Co., Ltd, became our related party as an associate. We provided store operation service and warehousing service to Mansen and generated service revenue of RMB1.4 million and RMB5 thousand in 2022, respectively, and RMB195 thousand (US\$28 thousand) and nil in 2023, respectively.

As of December 31, 2023, amounts due from Mansen were nil.

Transactions with Changsha Benwei Fresh Food Brand Management Co., Ltd

In December 2021, Changsha Benwei Fresh Food Brand Management Co., Ltd, became our related party as an associate. We provided store operation service to Benwei and generated service revenue of RMB 6.3 million and RMB5.4 million (US\$0.8 million) in 2022 and 2023. Benwei provided marketing and platform service to us. In 2022 and 2023, we incurred marketing and platform service fees in an amount of RMB0.7 million and RMB3.4 million (US\$0.5 million) to Benwei.

As of December 31, 2023, amounts due to Benwei were RMB4 thousand (US\$1 thousand), mainly representing marketing and platform service expenses to be paid to Benwei, and amounts due from Benwei were RMB3.8 million (US\$0.5 million), mainly representing store operation service fees collected by Benwei.

Transactions with Aoxue Culture Communication (Beijing) Co., Ltd

In September 2021, Aoxue Culture Communication (Beijing) Co., Ltd, became our related party as an associate. We provided store operation service to Aoxue and generated service revenue of RMB3.2 million and RMB1.5 million (US\$0.2 million) in 2022 and 2023.

As of December 31, 2023, amounts due from Aoxue were RMB0.5 million (US\$0.1 million), mainly representing store operation service fees collected by Aoxue.

Transactions with Laifeng Brand Management (Shanghai) Co., Ltd.

In September 2021, Laifeng Brand Management (Shanghai) Co., Ltd., became our related party as an associate. We provided store operation service to Laifeng and generated service revenue of RMB 0.8 million and RMB0.8 million (US\$0.1 million) in 2022 and 2023.

As of December 31, 2023, amounts due from Laifeng were RMB204 thousand (US\$29 thousand), mainly representing store operation service fees collected by Laifeng.

The balances with the related parties as of December 31, 2023 as disclosed above are all trade in nature.

Transactions with Tsubasa Corporation

In 2021, we repurchased 19,042,105 Class A ordinary shares from Tsubasa Corporation, one of our shareholders and a company wholly owned by Softbank Corp, at an aggregate purchase price of approximately US\$105.0 million in privately negotiated transactions.

We did not incur any related party transaction with Tsubasa Corporation in 2022 or 2023.

Employment Agreements

See “Item 6. Directors, Senior Management and Employees — C. Board Practices — Employment Agreements.”

Share Incentive Plan

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

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Financial Statements

Please see “Item 18. Financial Statements.” Other than as disclosed elsewhere in this annual report, no significant changes have occurred since the date of our annual financial statements.

Legal Proceedings

From time to time, we may be involved in legal proceedings or be subject to claims arising in the ordinary course of our business.

On December 10, 2019 and December 26, 2019, purported securities class action complaints were filed in the United States District Court for the Southern District of New York against us, our chief executive officer and our then chief financial officer. These suits, which are captioned Snyder, et. Al. v. Baozun Inc. et. Al. (Case No.: 1: 19 cv-11290) and AUS, et. Al. v. Baozun Inc., et. Al. (Case No.: 1: 19 cv-11812), allege, among other things, that defendants made materially false and misleading statements, or failed to disclose material facts, regarding the termination of our business relationship with a Chinese electronics brand. The various suits assert claims covering the period from March 6, 2019 through November 20, 2019 and seek compensatory damages, costs and expenses incurred in such actions, as well as equitable or other relief. On September 8, 2020, the court appointed the lead plaintiffs and the lead counsel and consolidated the separate actions into a consolidated action. On November 6, 2020, the lead counsel filed a notice of voluntary dismissal with the court stating that the consolidated action is voluntarily dismissed against all defendants, without prejudice, and with each party agreeing to bear their own costs. On November 11, 2020, the court signed the notice of voluntary dismissal, thereby adopting it as an order of the court. The issuance of this order resulted in the dismissal of the consolidated action.

In September 2021, one of our subsidiaries, Baozun Hong Kong Holding Limited, initiated an arbitration proceeding against a distributor in the health care and cosmetics industry for payment default, seeking to recover US\$22.2 million accounts receivable for the products procured by this distributor, plus accrued interest and reimbursements of arbitration fees. As of the date of this annual report, the arbitration proceeding is still ongoing. There is no certainty that the arbitration tribunal will rule in our favor, and even if it does rule in our favor, there is no guarantee that we will be able to fully recover the amount owed. In 2021, we provided an allowance of RMB93.3 million (US\$13.1 million) of accounts receivable in connection with the default of this distributor, and did not make additional allowance in 2022.

Except for the arbitration proceeding described above, we are not currently a party to, nor are we aware of, any other legal proceeding, investigation or claim 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

Our board of directors has complete discretion on whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon various 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.

We do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Ordinary Shares and ADSs — Because we do not expect to pay dividends in the foreseeable future, holders of our ADSs and/or Class A ordinary shares must rely on price appreciation of our ADSs and/or Class A ordinary shares for return on their investment.”

We are a holding company incorporated in the Cayman Islands. We rely principally on dividends from our subsidiaries in China for our cash requirements, including any payment of dividends to our shareholders. Dividends distributed by Shanghai Baozun, our major PRC subsidiary, to us are subject to PRC taxes. Current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of their accumulated distributable after-tax profits, if any, determined in accordance with their respective articles of association and Chinese accounting standards and regulations. “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the People’s Republic of China — We may rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries to fund offshore cash and financing requirements.”

If we pay any dividends, we will pay our ADS holders to the same extent as holders of our Class A ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our Class A ordinary shares, if any, will be paid in U.S. dollars.

B. Significant Changes

Except as disclosed elsewhere in this annual report, 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 have been quoted on The Nasdaq Global Select Market under the symbol “BZUN” since May 21, 2015. Each ADS represents three Class A ordinary shares. In December 2016, we completed a follow-on public offering of our ADSs, in which we issued and sold an aggregate of 9,000,000 Class A ordinary shares represented by 3,000,000 ADSs and certain selling shareholders sold 3,000,000 ADSs at US\$12.25 per ADS.

In April 2019, we completed an offering of US\$225 million in aggregate principal amount of the 2024 Notes, and the sale of an additional US\$50 million in aggregate principal amount of the 2024 Notes pursuant to the exercise by the initial purchasers in full of an option to purchase additional Notes, pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended. We received net proceeds from the Notes Offering of approximately US\$269.0 million. Concurrently with the Notes Offering, we also completed an offering of 4,230,776 ADSs, as we entered into the ADS lending agreements with the ADS Borrowers that are affiliates of the initial purchasers in the Notes Offering, pursuant to which we lent, in total, 4,230,776 ADSs to the ADS Borrowers. We did not receive any proceeds from the sale of the initial Borrowed ADSs, but received a nominal lending fee from the ADS Borrowers.

In September 2020, we completed a global offering of 40,000,000 Class A ordinary shares, which began trading on the Main Board of the Hong Kong Stock Exchange on September 29, 2020 under the stock code “9991” as a secondary listed issuer. The gross proceeds to us from the global offering, before deducting underwriting fees and the offering expenses, was approximately HK\$3,316.0 million (US\$424.5 million). On October 23, 2020, the underwriters partially exercised the over-allotment option in respect of an aggregate of 3,833,700 Class A ordinary shares. We received total net proceeds of approximately HK\$3,511.4 million (US\$449.6 million) after deducting offering expenses payable by us in relation to the global offering and the exercise of the over-allotment option. On November 1, 2022, we voluntarily converted our secondary listing status to primary listing status.

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs are listed on The Nasdaq Global Select Market since May 21, 2015 under the symbol “BZUN.” Our Class A ordinary shares have been listed on the Hong Kong Stock Exchange since September 29, 2020 under the stock code “9991.”

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

Company Objects and Purposes

We are a Cayman Islands exempted company and our affairs are governed by our memorandum and articles of association, as amended and restated from time to time, the Companies Act (As Revised) of the Cayman Islands, which is referred to below as the Companies Act, and the common law of the Cayman Islands. A Cayman Islands exempted company is a company that conducts its business outside of the Cayman Islands, is exempted from certain requirements of the Companies Act, including a filing of an annual return of its shareholders with the Registrar of Companies, does not have to make its register of shareholders open to inspection and may obtain an undertaking against the imposition of any future taxation.

According to our sixth amended and restated memorandum and articles of association, the objects for which we are established are unrestricted and we have full power and authority to carry out any object not prohibited by the Companies Act or as the same may be revised from time to time, or any other law of the Cayman Islands.

The following are summaries of material terms and provisions of our sixth amended and restated memorandum and articles of association and the Companies Act insofar as they relate to the material terms of our ordinary shares. These summaries are not complete, and you should read the forms of our memorandum and articles of association, which was filed as exhibits to our registration statement on Form F-1.

The holders of ADSs will not be treated as our shareholders and will be required to surrender their ADSs for cancellation and withdrawal from the depository facility in which the Class A ordinary shares are held and to become the registered holder of such shares in order to exercise shareholders' rights in respect of the Class A ordinary shares. The depository will agree, so far as it is practical, to vote or cause to be voted the amount of Class A ordinary shares represented by ADSs in accordance with the non-discretionary written instructions of the holder of such ADSs.

Registered Office

Our registered office in the Cayman Islands is located at the offices of *Vistra (Cayman) Limited*, at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

Board of Directors

See "Item 6. Directors, Senior Management and Employees — C. Board Practices."

Ordinary Shares

As of the date of this annual report, our authorized share capital is US\$50,000 divided into 500,000,000 shares comprising of 470,000,000 Class A ordinary shares with a par value of US\$0.0001 each and 30,000,000 Class B ordinary shares with a par value of US\$0.0001 each.

General. All of our issued and outstanding ordinary shares are fully paid and non-assessable. The ordinary shares are issued in registered form and each shareholder is entitled to a share certificate in respect of its shares. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

Ordinary Shares. Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of our Class A ordinary shares and Class B ordinary shares will have the same rights except for voting rights and conversion rights.

Conversion. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any sale, transfer, assignment or disposition of beneficial ownership of any Class B ordinary shares by a holder thereof or a beneficial owner of such Class B ordinary shares to any person or entity that is not an Affiliate (as defined in the sixth amended and restated memorandum and articles of association) of such holder or the beneficial owner, such Class B ordinary shares will be automatically and immediately converted into an equal number of Class A ordinary shares.

Dividends. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors subject to the Companies Act and to our sixth amended and restated articles of association. In addition, our shareholders may declare dividends by ordinary resolution, but no dividend shall exceed the amount recommended by our directors.

Our sixth amended and restated articles of association provide that dividends may be declared and paid out of the funds of our company lawfully available therefor. Under the laws of the Cayman Islands, our company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

Voting Rights. Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law. In respect of matters requiring shareholders' vote, on a poll each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to ten votes. At any general meeting a resolution put to the vote of the meeting shall be decided by a show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any shareholder present in person or by proxy with a right to attend and vote at the meeting.

A quorum required for a meeting of shareholders consists of at least one or more shareholders present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative, who hold in aggregate not less than one-tenth of the votes attaching to all issued and outstanding shares of our company and are entitled to vote. An annual general meeting shall be held in each year. Extraordinary general meetings may be convened by a majority of our board of directors or upon a request to the directors by shareholders holding in the aggregate not less than one-tenth of our voting share capital, on a one vote per share basis. Advance notice of at least 21 calendar days is required for the convening of our annual general meeting and advance notice of at least 14 calendar days is required for the convening of any other shareholders' meetings.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast in a general meeting, while a special resolution, in respect of (i) any amendment to our memorandum and articles of association, or (ii) the voluntary liquidation or winding up of the Company, requires the affirmative vote of not less than three-fourths of the votes attaching to the ordinary shares cast at a general meeting, and in respect of any other matter that requires a special resolutions, requires the affirmative vote of no less than two-thirds of the votes attaching to the ordinary shares cast in a general meeting. A special resolution is required for important matters such as a change of name. Holders of the ordinary shares may effect certain changes by ordinary resolution, including increasing the amount of our authorized share capital, consolidating and dividing all or any of our share capital into shares of larger amount than our existing share capital, and cancelling any unissued shares.

Transfer of Shares. Subject to the restrictions of our sixth amended and restated memorandum and articles of association set out below, as applicable, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or ordinary form or any other form approved by our board.

Our board of directors may, in its sole discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our directors may also decline to register any transfer of any ordinary share unless (a) the instrument of transfer is lodged with us, accompanied by the share certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer; (b) the instrument of transfer is in respect of only one class of ordinary shares; (c) the instrument of transfer is properly stamped, if required; (d) in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; (e) the shares concerned are free of any lien in favor of us; or (f) a fee of such maximum sum as The Nasdaq Stock Market or the Hong Kong Stock Exchange may determine to be payable, or such lesser sum as our board of directors may from time to time require, is paid to us in respect thereof.

If our directors refuse to register a transfer they shall, within two months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal. The registration of transfers may, on notice being given by advertisement in such one or more newspapers or by electronic means, be suspended at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year. Our board of directors may also close our register of members for transfers for determining who is a shareholder for certain purposes for a period not to exceed 30 days at a time.

Liquidation. On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of shares), assets available for distribution among the holders of ordinary shares shall be distributed among the holders of the ordinary shares on a pro rata basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them. If our assets available for distribution shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed among our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up subject to a deduction from those shares in respect of which there are monies due, of all monies payable to us for unpaid calls or otherwise.

Calls on Shares and Forfeiture of Shares. Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 calendar days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid on the specified time are subject to forfeiture.

Redemption, Repurchase and Surrender of Shares. Subject to the provisions of the Companies Act, we may issue shares on terms that are subject to redemption, at our option or at the option of the holders, on such terms and in such manner, including out of capital, as may be determined by our board of directors, before the issue of such shares, or by a special resolution of our shareholders. Our company may also repurchase any of our shares provided that the manner and terms of such purchase have been approved by our board of directors or by an ordinary resolution of our shareholders, or are otherwise authorized by our memorandum and articles of association. Under the Companies Act, the redemption or repurchase of any share may be paid out of our company's profits or share premium account or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including in certain circumstances capital redemption reserve) if the company can in the case of payment out of the share premium account or capital, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variations of Rights of Shares. All or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Act, be varied either with the written consent of the holders of three-fourths of the issued shares of that class or with the sanction of a resolution passed by the holders of a majority of not less than three-fourths of the shares of that class present and voting at a general meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking in priority to or *pari passu* therewith.

Inspection of Books and Records. Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records (except for our memorandum and articles of association, our register of mortgages and charges and special resolutions of our shareholders). However, our sixth amended and restated memorandum and articles of association provide that except when our register of members is closed in accordance with our sixth amended and restated memorandum and articles of association, our branch register of members maintained in Hong Kong shall during business hours be kept open for inspection by any member without charge. In addition, we will provide our shareholders with annual audited financial statements.

Changes in Capital. Our shareholders may from time to time by ordinary resolution:

- increase our share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- sub-divide our existing shares, or any of them into shares of a smaller amount; and
- cancel any shares that, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled.

Subject to the Companies Act and our sixth amended and restated memorandum and articles of association with respect to matters to be dealt with by ordinary resolution, we may, by special resolution, reduce our share capital and any capital redemption reserve in any manner authorized by law.

Issuance of Additional Shares. Our sixth amended and restated memorandum and articles of association authorizes our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent there are available authorized but unissued shares.

Our sixth amended and restated memorandum and articles of association authorizes our board of directors to establish from time to time one or more series of convertible redeemable preferred shares and to determine, with respect to any series of convertible redeemable preferred shares, the terms and rights of that series, including:

- designation of the series;
- the number of shares of the series;
- the dividend rights, conversion rights and voting rights; and
- the rights and terms of redemption and liquidation preferences.

The issuance of convertible redeemable preferred shares may be used as an anti-takeover device without further action on the part of the shareholders. Issuance of these shares may dilute the voting power of holders of ordinary shares.

Differences in Corporate Law

The Companies Act is modeled after companies law statutes of England and Wales but does not follow recent statutory enactments in England. In addition, the Companies Act differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Act applicable to us and the laws applicable to companies incorporated in the State of Delaware.

Mergers and Similar Arrangements. The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (b) a “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company.

In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (i) a special resolution of the shareholders of each constituent company; and (ii) such other authorization, if any, as may be specified in such constituent company's articles of association. The plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation effected in compliance with these statutory procedures.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by (a) 75% in value of the shareholders or class of shareholders, as the case may be, or (b) a majority in number representing 75% in value of the creditors or each class of creditors, as the case may be, with whom the arrangement is to be made, that are, in each case, present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

When a take-over offer is made and accepted by holders of 90.0% of the shares affected (within four months after making the offer), the offeror may, within a two-month period commencing on the expiration of such four months period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders' Suits. In principle, we will normally be the proper plaintiff to sue for a wrong done to us and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands courts can be expected to apply and follow common law principles that permit a minority shareholder to commence a class action against the company or a derivative action in the name of the company to challenge certain acts, including the following:

- a company acts or proposes to act illegally or ultra vires;
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a "fraud on the minority."

Indemnification of Directors and Executive Officers and Limitation of Liability. Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime.

Our sixth amended and restated memorandum and articles of association permit indemnification of officers and directors for all actions, proceedings, charges, losses, damages, liabilities, costs and expenses incurred in their conduct of the company's business or affairs (including as a result of any mistake or judgment) or in the execution or discharge of his duties, powers, authorities or discretion, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such officers and directors unless such losses or damages arise from dishonesty, fraud or wilful default of such directors or officers. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we have entered into indemnification agreements with our directors and senior executive officers that will provide such persons with additional indemnification beyond that provided in our sixth amended and restated memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Directors' Fiduciary Duties. Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company—a duty to act bona fide in the best interests of the company, a duty not to make a profit based on his or her position as director (unless the company permits him to do so) and a duty not to put himself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party. A director of a Cayman Islands company owes to the company a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities (which are of persuasive authority, although not binding on the courts of the Cayman Islands) are likely to be followed in the Cayman Islands. 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.

Shareholder Action by Written Consent. Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Cayman Islands law and our sixth amended and restated articles of association provide that shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

Shareholder Proposals. Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our sixth amended and restated articles allow our shareholders holding in the aggregate not less than one-tenth of the aggregate number of votes attaching to all issued and outstanding shares of our company, on a one vote per share basis, to requisition an extraordinary meeting of the shareholders, in which case the directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, our articles do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings. Our sixth amended and restated articles of association provides that we may in each year hold a general meeting as our annual general meeting, and to specify the meeting as such in the notice calling it.

Cumulative Voting. Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. There are no prohibitions in relation to cumulative voting under Cayman Islands law, but our sixth amended and restated articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors. Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our sixth amended and restated articles of association, directors may be removed by ordinary resolution of the shareholders. In addition, a director's office shall be vacated if the director (i) dies, becomes bankrupt or makes any arrangement or composition with his creditors; (ii) is found to be or becomes of unsound mind; (iii) resigns his office by notice in writing to us; (iv) without special leave of absence from our board of directors, is absent from three consecutive meetings of the board and the board resolves that his office be vacated or; (v) is removed from office pursuant to any other provisions of our sixth amended and restated memorandum and articles of association.

Transactions with Interested Shareholders. The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding up. Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares.

Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board. Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Under the Companies Act of the Cayman Islands, our company may be dissolved, liquidated or wound up voluntarily by a special resolution, or by an ordinary resolution on the basis that we are unable to pay our debts as they fall due. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Variation of Rights of Shares. Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under our sixth amended and restated articles of association, and as permitted by Cayman Islands law, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class either with the written consent of the holders of three-fourths of the issued shares of that class or with the sanction of a resolution passed by the holders of a majority of not less than three-fourths of the shares of that class present and voting at a general meeting of the holders of the shares of that class.

Amendment of Governing Documents. Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under Cayman Islands law, our sixth amended and restated memorandum and articles of association may only be amended by special resolution.

Inspection of Books and Records. Under the Delaware General Corporation Law, any shareholder of a corporation may for any proper purpose inspect or make copies of the corporation's stock ledger, list of shareholders and other books and records.

Holders of our shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records (except for our memorandum and articles of association, our register of mortgages and charges and special resolutions of our shareholders). Our sixth amended and restated memorandum and articles of association provide that except when our register of members is closed in accordance with our sixth amended and restated memorandum and articles of association, our branch register of members maintained in Hong Kong shall during business hours be kept open for inspection by any member without charge. In addition, we intend to provide our shareholders with annual reports containing audited financial statements.

Anti-takeover Provisions in Our Memorandum and Articles of Association. Some provisions of our sixth amended and restated memorandum and articles of association have the potential to be exercised in a way that may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including a provision that authorizes our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders.

Such 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 these preference shares, the price of our ADSs may fall and the voting and other rights of the holders of our ordinary shares and ADSs may be materially and adversely affected.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our sixth amended and restated memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Rights of Non-resident or Foreign Shareholders. There are no limitations imposed by our sixth amended and restated memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our sixth amended and restated memorandum and articles of association that requires us to disclose shareholder ownership above any particular ownership threshold.

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

Foreign Currency Exchange

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

Dividend Distribution

The principal laws, rules and regulations governing dividend distribution by wholly foreign-invested enterprises in the PRC are the Company Law of the PRC, as amended, the Wholly Foreign-Owned Enterprise Law and its implementation regulations.

Under these laws, rules and regulations, wholly foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with their articles of association and PRC accounting standards and regulations. Both PRC domestic companies and wholly-foreign owned PRC enterprises are required to set aside as general reserves at least 10% of their after-tax profit, until the cumulative amount of such reserves reaches 50% of their registered capital. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

On March 15, 2019, the National People’s Congress promulgated the Foreign Investment Law, which became effective on January 1, 2020 and from its effective date superseded the Wholly Foreign-Owned Enterprise Law. Under the Foreign Investment Law, the organizational form, corporate governance and operational guidelines of a foreign invested enterprise shall be in compliance with the PRC Company Law. However, the Foreign Investment Law establishes a five-year grace period from its effective date in respect of the existing wholly foreign-owned enterprises, so that they can remain their original organizational form under the Wholly Foreign-owned Enterprise Law during such grace period. The Foreign Investment Law and its implementation rules also provide that after the conversion from a wholly foreign-owned enterprise or sino-foreign equity joint venture to a foreign invested enterprise under the Foreign Investment Law, distribution method of gains agreed in the joint venture agreements may continue to apply.

E. Taxation

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. 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. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

There is no income tax treaty or convention currently in effect between the United States and the Cayman Islands.

PRC Tax

Under the EIT Law and its implementation rules, an enterprise established outside of the PRC with “de facto management body” within the PRC is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises substantial and overall control and management over the business, productions, personnel, accounts and properties of an enterprise. In 2009, the State Administration of Taxation issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled offshore incorporated enterprise is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the State Administration of Taxation’s general position on how the “de facto management body” text should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China only if all of the following conditions 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 shareholders minutes, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe that none of Baozun Inc. and its subsidiaries outside of China is a PRC resident enterprise for PRC tax purposes. Baozun Inc. is not controlled by a PRC enterprise or PRC enterprise group and we do not believe that Baozun Inc. meets all of the conditions above. Baozun Inc. is a company incorporated outside the PRC. As a holding company, its key assets are its ownership interests in its subsidiaries, and its key assets and its records (including the resolutions and meeting minutes of its board of directors and the resolutions and meeting minutes of its shareholders) are located and maintained outside the PRC. For the same reasons, we believe our other subsidiaries outside of China are not PRC resident enterprises either. However, the tax resident 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.”

The implementation rules of the 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 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 PRC 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 and gains we pay to our overseas shareholders or ADS holders who are 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 or arrangement 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.

Under Bulletin 7, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. According to Bulletin 7, “PRC taxable assets” include assets attributed to an establishment in China, immoveable properties located in China, and equity investments in PRC resident enterprises. In respect of an indirect offshore transfer of assets of a PRC establishment, the resulting gain is to be included with the enterprise income tax filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to the immoveable properties located in China or to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax at 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. Where the payor fails to withhold any or sufficient tax, the transferor shall declare and pay such tax to the tax authority by itself within the statutory time limit. Although it appears that Bulletin 7 was not intended to apply to share transfers of publicly traded companies, there is uncertainty as to the application of Bulletin 7 and we and our non-PRC resident investors may be at risk of being subject to tax filing or withholding obligations under Bulletin 7 and we may be required to spend valuable resources to comply with Bulletin 7 or to establish that we should not be taxed under Bulletin 7. See “Item 3. Key Information — D. Risk Factors—Risks Related to Doing Business in the People’s Republic of China — We and our shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a Chinese establishment of a non-Chinese company, or immoveable properties located in China owned by non-Chinese companies.”

See “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the People’s Republic of China — We may be treated as a resident enterprise for PRC tax purposes under the PRC EIT Law, and we may therefore be subject to PRC income tax on our global income.” and “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the People’s Republic of China — Dividends payable to our foreign investors and gains on the sale of our ADSs or ordinary shares by our foreign investors may become subject to PRC tax law.”

Hong Kong Taxation

Our subsidiaries incorporated in Hong Kong are subject to 16.5% Hong Kong profit tax on their taxable income generated from operations in Hong Kong. On April 1, 2018, a two-tiered profits tax regime was introduced. The profits tax rate for the first HK\$2 million of profits of corporations is lowered to 8.25%, while profits above that amount continue to be subject to the tax rate of 16.5%.

Our principal register of members is maintained by our Principal Share Registrar in the Cayman Islands, Vistra (Cayman) Limited, and our Hong Kong branch register of members is maintained by the Hong Kong Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited.

Dealings in our Class A ordinary shares registered on our Hong Kong branch share register are subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, our Class A ordinary shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of our Class A ordinary shares. In addition, a fixed duty of HK\$5.00 is charged on each instrument of transfer (if required).

To facilitate ADS-Class A ordinary share conversion and trading between The Nasdaq Stock Market and the Hong Kong Stock Exchange, we also moved a portion of our issued ordinary shares from our Cayman share register to our Hong Kong share register. It is unclear whether, as a matter of Hong Kong law, the trading or conversion of ADSs constitutes a sale or purchase of the underlying Hong Kong-registered ordinary shares that is subject to Hong Kong stamp duty. We advise investors to consult their own tax advisors on this matter. See “Risk Factors — Risks Related to Our Ordinary Shares and ADSs — There is uncertainty as to whether Hong Kong stamp duty will apply to the trading or conversion of our ADSs.”

Material U.S. Federal Income Tax Consequences

The following discussion is a summary of the material U.S. federal income tax consequences of the purchase, ownership, and disposition of the ADSs or ordinary shares, but does not purport to be a complete analysis of all potential tax consequences. The consequences of other U.S. federal tax laws, such as estate, gift, or other non-income tax laws, and any applicable state, local or non-U.S. tax laws are not discussed. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), final and temporary U.S. Treasury regulations (“U.S. Treasury Regulations”) promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service (the “IRS”), in each case in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could result in tax consequences different from those described below. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the purchase, ownership, and disposition of the ADSs or ordinary shares.

This discussion is limited to U.S. Holders (as defined below) that hold our ADSs or ordinary shares as “capital assets” within the meaning of Section 1221 of the Code (generally, property held for investment) at all relevant times. This discussion does not address all U.S. federal income tax consequences relevant to a U.S. Holder’s particular circumstances, including the impact of the Medicare tax on net investment income. In addition, it does not address consequences relevant to U.S. Holders subject to special rules, including, without limitation:

- persons who own or are deemed to own 10% or more of the voting power or value of our stock;
- persons subject to the alternative minimum tax;
- persons holding our ADSs or ordinary shares as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- persons whose “functional currency” is not the U.S. dollar;
- banks, insurance companies, and other financial institutions;
- brokers, dealers or traders in stock, securities or currencies;
- corporations that accumulate earnings to avoid U.S. federal income tax;
- partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);
- corporations that have elected to be taxed as “S corporations” under Subchapter S of Chapter 1 of the Code (and investors therein);
- tax-exempt organizations or governmental organizations;
- persons deemed to sell our ADSs or ordinary shares under the constructive sale provisions of the Code;
- persons who use or are required to use a mark-to-market method of accounting;
- persons who hold or receive our ADSs or ordinary shares pursuant to the exercise of any employee stock option or otherwise as compensation;
- “real estate investment trusts”;
- “regulated investment companies”; and
- tax-qualified retirement plans.

If an entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes holds our ADSs or ordinary shares, the tax treatment of a partner in the partnership (or member of the pass-through entity) will generally depend on the status of the partner or member and the activities of the partnership or other pass-through entities. Partnerships and other pass-through entities holding our ADSs or ordinary shares and partners and members in such partnerships and entities should consult their own tax advisors regarding the U.S. federal income tax consequences to them.

THIS DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. YOU SHOULD CONSULT YOUR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO YOUR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR ADSs OR ORDINARY SHARES ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY. IN ADDITION, SIGNIFICANT CHANGES IN U.S. FEDERAL TAX LAWS WERE RECENTLY ENACTED. PROSPECTIVE INVESTORS SHOULD ALSO CONSULT WITH THEIR TAX ADVISORS WITH RESPECT TO SUCH CHANGES IN U.S. TAX LAW AS WELL AS POTENTIAL CONFORMING CHANGES IN STATE TAX LAWS.

Definition of a U.S. Holder

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of ADSs or ordinary shares that, for U.S. federal income tax purposes, is or is treated as:

an individual who is a citizen or resident of the United States;

a corporation created or organized under the laws of the United States, any state thereof, or the District of Columbia;

an estate, the income of which is subject to U.S. federal income tax regardless of its source; or

a trust that (1) is subject to the primary supervision of a court within the United States and of one or more “United States persons” (within the meaning of Section 7701(a)(30) of the Code) have the authority to control all substantial decisions of the trust, or (2) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person for U.S. federal income tax purposes.

The discussion below assumes that the representations contained in the deposit agreement are true and that the obligations in the deposit agreement and any related agreement will be complied with in accordance with their terms. If you own ADSs, you generally will be treated as the owner of the underlying ordinary shares represented by those ADSs for U.S. federal income tax purposes. Accordingly, withdrawals of the underlying ordinary shares in exchange for the ADSs generally will not be subject to U.S. federal income tax.

The U.S. Treasury has expressed concerns that intermediaries in the chain of ownership between the holder of a depositary share and the issuer of the security underlying the depositary share may be taking actions that are inconsistent with the beneficial ownership of the underlying security (which may include, for example, pre-releasing ADSs to persons that do not have the beneficial ownership of the securities underlying the ADSs). Accordingly, the creditability of any PRC taxes, or the availability of the reduced tax rate for any dividends received by certain non-corporate U.S. Holders (discussed below), could be affected by actions taken by intermediaries in the chain of ownership between the holders of ADSs and our company if as a result of such actions the holders of ADSs are not properly treated as beneficial owners of underlying ordinary shares.

Taxation of Dividends and Other Distributions on the ADSs or Ordinary Shares

Subject to the discussion under “ — Passive Foreign Investment Company” below, the gross amount of any distributions we make to you with respect to your ADSs or ordinary shares (including the amount of any taxes withheld therefrom) generally will be includible in your gross income as dividend income on the date of receipt by the depository, in the case of ADSs, or on the date of receipt by you, in the case of ordinary shares, but only to the extent that the distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Any such dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of certain dividends received from U.S. corporations. To the extent that the amount of the distribution exceeds our current and accumulated earnings and profits, such excess amount will be treated first as a tax-free return of your tax basis in your ADSs or ordinary shares, and then, to the extent such excess amount exceeds your tax basis in your ADSs or ordinary shares, as capital gain. We do not intend to calculate our earnings and profits under U.S. federal income tax principles. Therefore, you should expect that any distribution we make to you will be reported as a dividend even if it would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

With respect to certain non-corporate U.S. Holders, including individual U.S. Holders, any dividends received may be subject to a reduced rate of U.S. federal income tax applicable to “qualified dividend income,” provided that (1) either (a) our ADSs or ordinary shares, with respect to which the dividends are paid, are readily tradable on an established securities market in the United States, or (b) we are eligible for the benefits of a qualifying income tax treaty with the United States that includes an exchange of information program, (2) we are neither a PFIC nor treated as such with respect to the U.S. Holder for the taxable year in which the dividend is paid and the preceding taxable year (discussed below), and (3) the ADSs or ordinary shares are held for a holding period of more than 60 days during the 121-day period beginning 60 days before the ex-dividend date. Under IRS authority, common or ordinary shares, or depository shares representing such shares, are considered for the purpose of clause (1) above to be readily tradable on an established securities market in the United States if they are listed on The Nasdaq Global Select Market, where our ADSs (but not our ordinary shares) are listed. If we are treated as a “resident enterprise” for PRC tax purposes (see “ — PRC Tax”), we may be eligible for the benefits of the income tax treaty between the United States and the PRC. You should consult your tax advisors regarding the availability of the lower tax rate applicable to qualified dividend income for any dividends we pay with respect to the ADSs or ordinary shares, as well as the effect of any change in applicable law after the date of this annual report.

Any dividends we pay with respect to the ADSs or ordinary shares will constitute non-U.S. source income for foreign tax credit purposes. If the dividends are taxed as qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will in general be limited to the gross amount of the dividend, multiplied by the reduced tax rate applicable to qualified dividend income and divided by the highest tax rate normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, any dividends we pay with respect to the ADSs or ordinary shares will generally constitute “passive category income” but could, in the case of certain U.S. Holders, constitute “general category income.”

If PRC withholding taxes apply to any dividends paid to you with respect to our ADSs or ordinary shares (see “ — PRC Tax”), the amount of the dividend would include the withheld PRC taxes and, subject to certain general conditions and limitations, such PRC withholding taxes generally may be treated as foreign taxes eligible for credit against your U.S. federal income tax liability. These generally applicable conditions and limitations include new requirements adopted in certain Treasury Regulations promulgated in December 2021, and any PRC tax will need to satisfy these requirements in order to be eligible to be a creditable tax for a U.S. holder. There can be no assurance that any PRC tax will satisfy these requirements. A recent notice from the IRS provides temporary relief from such Treasury Regulations by allowing U.S. Holders to apply a modified version of the Treasury Regulations for taxable years ending before the date that a notice or other guidance withdrawing or modifying the temporary relief is issued (or any later date specified in such notice or other guidance), provided that U.S. Holders consistently applies such modified version of the Treasury Regulations and complies with specific requirements set forth in a previous notice. In the case of all other U.S. holders, the application of these requirements to the PRC tax on dividends is uncertain and we have not determined whether these requirements have been met. If the PRC tax is not a creditable tax for a U.S. holder or the U.S. holder does not elect to claim a foreign tax credit for any foreign income taxes, the U.S. holder may be able to deduct the PRC tax in computing such U.S. holder’s taxable income for U.S. federal income tax purposes, subject to applicable limitations and requirements. The rules relating to the determination of the foreign tax credit are very complex and you should consult your tax advisors regarding the availability of a foreign tax credit in your particular circumstances, including the effects of any applicable income tax treaties and any Treasury Regulations or IRS guidance.

Taxation of Disposition of ADSs or Ordinary Shares

You will recognize taxable gain or loss on any sale, exchange or other taxable disposition of ADSs or ordinary shares 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” below, the gain or loss generally will be capital gain or loss. If you are a non-corporate U.S. Holder, including an individual U.S. Holder, that has held the ADSs or ordinary shares for more than one year, you may be eligible for reduced U.S. federal income tax rates. The deductibility of capital losses is subject to limitations. Any gain or loss that you recognize on a disposition of ADSs or ordinary shares will generally be treated as U.S. source income or loss for foreign tax credit purposes. However, if we are treated as a “resident enterprise” for PRC tax purposes, we may be eligible for the benefits of the income tax treaty between the United States and the PRC. In such event, if PRC tax were to be imposed on any gain from the disposition of the ADSs or ordinary shares, a U.S. Holder that is eligible for the benefits of the income tax treaty between the United States and the PRC may elect to treat the gain as PRC source income for foreign tax credit purposes, provided that the U.S. holder consistently elects to apply a modified version of the U.S. foreign tax credit rules that is permitted under recently issued IRS notice and complies with the specific requirements set forth in such notice. If a U.S. Holder is not eligible for the benefits of such treaty, fails to make the election to treat any gain as PRC-source gain or otherwise fails to comply with the IRS notice, then such U.S. Holder may not be able to use the foreign tax credit arising from any PRC tax imposed on the sale or other taxable disposition of the ADSs or ordinary shares unless such credit can be applied (subject to applicable limitations) against U.S. federal income tax due on other income derived from foreign sources in the same income category (generally, the passive category). You should consult your tax advisors regarding the proper treatment of gain or loss in your particular circumstances, including the effects of any applicable income tax treaties and rules and availability of foreign tax credit which are very complex.

Passive Foreign Investment Company

Based on the market price of our ADSs and the composition of our income and assets, we believe we were not a PFIC for U.S. federal income tax purposes for our taxable year ended December 31, 2023, and we do not expect to become a PFIC in the foreseeable future. However, the application of the PFIC rules is subject to uncertainty in several respects. Additionally, PFIC status requires an intensive factual determination for each taxable year that cannot be made until after the close of each such year and will depend to a large degree on the market price of our ADSs, which could fluctuate significantly. In particular, any recent significant decline in the market price of our ADSs increases the risk of us becoming a PFIC. The market price of our ADSs may continue to fluctuate considerably and, consequently, we cannot assure you of our PFIC status for any taxable year. In addition, the composition of our income and our assets will be affected by how, and how quickly, we spend our liquid assets. Under circumstances where the market price of our ADSs declines and/or we determine not to deploy significant amounts of cash for capital expenditures and other general corporate purposes, the risk of us becoming classified as a PFIC may substantially increase.

A non-U.S. corporation is a PFIC for U.S. federal income tax purposes for any taxable year if either:

- at least 75% of its gross income for such year is passive income; or
- at least 50% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income.

In applying these tests, a foreign corporation is treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which it owns, directly or indirectly, at least 25% (by value) of the stock. In applying this rule, while it is not clear, we believe the contractual arrangements between us and our VIE should be treated as ownership of stock. However, the risk of us becoming classified as a PFIC may increase if it were determined that we do not own the stock of our VIE for U.S. federal income tax purposes. 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 are classified as a PFIC for any year during which a U.S. Holder holds our ADSs or ordinary shares, the corporation generally will continue to be treated as a PFIC with respect to that shareholder for all succeeding years during which it holds our ADSs or ordinary shares.

For each taxable year that we are treated as a PFIC with respect to you, you will be subject to special tax rules with respect to any “excess distribution” that you receive and any gain you recognize from a sale or other disposition (including a pledge) of the ADSs or ordinary shares. In general, these special rules will cause your “excess distribution” or gain to be taxed to you as ordinary income. In addition, an interest charge generally will apply. This will likely result in your having to pay more U.S. federal income tax on the distribution, or gain, than you would under the rules described in the sections above. Specifically, distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the ADSs or ordinary shares will be treated as excess distributions. Under these special tax rules:

- the excess distribution or recognized 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 years 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 taxable year will be subject to the highest tax rate in effect for individuals or corporations, as applicable, 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 PFIC rules provide for certain elections that can, in certain circumstances, alter the tax consequences of PFIC status as generally described above, thereby mitigating the adverse tax consequences that generally apply under the PFIC rules as described above. One such election, the “qualified electing fund” or “QEF” election, allows a U.S. Holder to include in income its share of the corporation’s income on a current basis and it requires (among other things) that the U.S. Holder include with its U.S. federal income tax return a “PFIC Annual Information Statement” provided by the foreign corporation and disclosing to the U.S. Holder its pro rata share of the corporation’s “ordinary earnings” and “net capital gain” as determined under U.S. federal income tax principles. A QEF election also can, in certain circumstances, cause the “excess distribution” regime described above not to apply, generally resulting in more favorable tax consequences upon receipt of PFIC excess distributions or the recognition of gain on sale of PFIC shares (or ADSs). However, we do not intend to calculate our “ordinary earnings” or “net capital gain,” nor do we intend to supply U.S. Holders with the required “PFIC Annual Information Statement.” Therefore, it generally will not be possible for you to make a QEF election if we are, or if we become, a PFIC.

A different election, the “mark-to-market” election could be available if our ADSs or ordinary shares, as applicable, are considered “marketable stock” as defined under applicable U.S. Treasury Regulations. Our ADSs or ordinary shares generally will be treated as marketable stock if they are regularly traded on a “qualified exchange or other market” (within the meaning of the applicable U.S. Treasury Regulations). Our ADSs are listed on The Nasdaq Global Select Market, which is a qualified exchange or other market for these purposes. Consequently, if the ADSs are regularly traded and we are treated as a PFIC, we expect the mark-to-market election would be available to a U.S. Holder that owns ADSs. You should consult your tax advisors as to the availability and desirability of a mark-to-market election.

If you make a mark-to-market election for the ADSs or ordinary shares, you will include in income for each year we are a PFIC an amount equal to the excess, if any, of the fair market value of the ADSs or ordinary shares as of the close of your taxable year over your adjusted basis in such ADSs or ordinary shares. You will be allowed a deduction for each year we are a PFIC in an amount equal to the excess, if any, of the adjusted basis of the ADSs or ordinary shares over their fair market value as of the close of the taxable year. However, deductions will be allowable only to the extent of any net mark-to-market gains on the ADSs or ordinary shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the ADSs or ordinary shares in a year that we are a PFIC, will be treated as ordinary income. Ordinary loss treatment will also apply to the deductible portion of any mark-to-market loss on the ADSs or ordinary shares, as well as to any loss realized on the actual sale or other disposition of the ADSs or ordinary shares in a year that we are a PFIC, to the extent the amount of such loss does not exceed the net mark-to-market gains previously included for such ADSs or ordinary shares. Your basis in the ADSs or ordinary shares will be adjusted to reflect any such income or loss amounts. If you make a mark-to-market election, any distributions we make would generally be subject to the rules discussed above under “-- Taxation of Dividends and Other Distributions on the ADSs or Ordinary Shares,” except the lower rate applicable to qualified dividend income would not apply. You should consult your tax advisors as to the availability and desirability of a mark-to-market election.

If we are treated as a PFIC for any taxable year during which you hold our ADSs or ordinary shares, to the extent any of our subsidiaries are also PFICs or we make direct or indirect equity investments in other entities that are PFICs, you may be deemed to own shares in such lower-tier PFICs that are directly or indirectly owned by us in that proportion which the value of the ADSs or ordinary shares you own bears to the value of all of our ADSs or ordinary shares, as applicable, and you may be subject to the rules described in the preceding paragraphs with respect to the shares of such lower-tier PFICs that you are deemed to own. You should consult your tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

Each U.S. Holder will generally be required to file an IRS Form 8621, “Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund” if it holds ADSs or ordinary shares in any year in which we are treated as a PFIC. If we are or become a PFIC, you should consult your tax advisor regarding any reporting requirements that may apply to you.

You are strongly urged to consult your tax advisor regarding the application of the PFIC rules to your investment in the ADSs or ordinary shares and any elections that may be available.

Information Reporting and Backup Withholding

Any dividend payments with respect to ADSs or ordinary shares and proceeds from the sale, exchange or other taxable disposition of ADSs or ordinary shares may be subject to information reporting to the IRS and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder that furnishes a correct taxpayer identification number and makes any other required certification or that is otherwise exempt from backup withholding. U.S. Holders that are required to establish their exempt status generally must provide such certification on IRS Form W-9. In addition, certain individuals holding ADSs or ordinary shares other than in an account at a financial institution may be subject to additional information reporting requirements.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS and furnishing any required information in a timely manner.

Certain U.S. Holders are also required to report information relating to certain “foreign financial assets,” including 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 IRS Form 8938, “Statement of Specified Foreign Financial Assets,” with their tax return for each year in which they hold ADSs or ordinary shares. You are urged to consult your own tax advisors regarding information reporting requirements relating to your ownership of the ADSs or ordinary shares.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We file annual reports with and furnish other information to the SEC as may be applicable from time to time. You may read and copy any documents filed or furnished by Baozun at the SEC’s public reference room in Washington, D.C. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.

In accordance with Nasdaq Stock Market Rule 5250(d), we will post this annual report on Form 20-F on our website at www.baozun.com. In addition, we will provide hardcopies of our annual report free of charge to shareholders and ADS holders upon request.

I. Subsidiary Information

For a list of our subsidiaries, see “Item 4. Information on the Company—C. Organizational Structure.”

Enforceability of Civil Liabilities

We are an exempted company incorporated under the laws of the Cayman Islands, while we conduct substantially all of our operations in China, and substantially all of our assets are located in China. In addition, almost all our senior executive officers reside within China for a significant portion of the time and most of our senior executive officers are PRC nationals. As a result, it may be difficult for our shareholders to effect service of process upon us or those persons inside China. In addition, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

Cayman Islands

We are incorporated under the laws of the Cayman Islands as an exempted company with limited liability. Our constituent documents do not contain provisions requiring that disputes, including those arising under the securities laws of the United States, between us, our officers, directors, and shareholders, be arbitrated.

Our Cayman Islands legal counsel has advised us that the courts of the Cayman Islands are unlikely (i) to recognize or enforce judgments of U.S. courts obtained against us or our directors or officers that are predicated upon the civil liability provisions of the federal securities laws of the United States or the securities laws of any state in the United States, and (ii) in original actions brought in the Cayman Islands to impose liabilities against us or our directors or officers that are predicated upon the federal securities laws of the United States or the securities laws of any state in the United States so far as the liabilities imposed by those provisions are penal in nature.

Our Cayman Islands legal counsel has informed us that although 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), the courts of the Cayman Islands will, at common law, recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without any re-examination of the merits of the underlying dispute based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the liquidated sum for which such judgment has been given, provided that such judgment (i) given by a foreign court of competent jurisdiction, (ii) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgement has been given, (iii) is final and conclusive, (iv) is not in respect of taxes, a fine, or a penalty; (v) is not inconsistent with a Cayman Islands judgment in respect of the same matter, and (vi) is not impeachable on the grounds of fraud and 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. A Cayman Islands court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

PRC

Our PRC legal counsel has advised us that there is uncertainty as to whether PRC courts would (i) recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States, or (ii) entertain original actions brought in each respective jurisdiction against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

Our PRC legal counsel has further advised us that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. There exists no treaty and few other forms of reciprocity between China and the United States or the Cayman Islands governing the recognition and enforcement of foreign judgments as of the date of this prospectus. In addition, according to the PRC Civil Procedures Law, PRC courts will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security, or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States or in the Cayman Islands. Under the PRC Civil Procedures Law, foreign shareholders may originate actions based on PRC law before a PRC court against a company for disputes relating to contracts or other property interests, and the PRC court may accept a cause of action based on the laws or the parties' express mutual agreement in contracts choosing PRC courts for dispute resolution if such foreign shareholders can establish sufficient nexus to China for a PRC court to have jurisdiction and meet other procedural requirements, including, among others, that the plaintiff must have a direct interest in the case and that there must be a concrete claim, a factual basis, and a cause for the case. The PRC court will determine whether to accept the complaint in accordance with the PRC Civil Procedures Law. The shareholder may participate in the action by itself or entrust any other person or PRC legal counsel to participate on behalf of such shareholder. Foreign citizens and companies will have the same rights as PRC citizens and companies in an action unless the home jurisdiction of such foreign citizens or companies restricts the rights of PRC citizens and companies.

However, it will be difficult for U.S. shareholders to originate actions against us in China in accordance with PRC laws because we are incorporated under the laws of the Cayman Islands and it will be difficult for U.S. shareholders, by virtue only of holding our ADSs or Class A ordinary shares, to establish a connection to China for a PRC court to have jurisdiction as required under the PRC Civil Procedures Law.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Exchange Risk

Substantially all of our revenues and expenses are denominated in Renminbi, while some of our cash and cash equivalents, restricted cash and short-term investments are denominated in U.S. dollars. Our exposure to foreign exchange risk primarily relates to such financial assets denominated in U.S. dollars. Any significant revaluation of Renminbi against the U.S. dollar may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, our ordinary shares and/or ADSs in U.S. dollars. See "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in the People's Republic of China — Fluctuations in exchange rates could result in foreign currency exchange losses and could materially reduce the value of your investment." The value of an investment in our ADSs or Class A ordinary shares will be affected by the exchange rate between the U.S. dollar and the Renminbi or Hong Kong dollar and Renminbi, as applicable, because the value of our business is effectively denominated in Renminbi, while our ADSs or Class A ordinary shares are traded in U.S. dollars or Hong Kong dollar, as applicable. We have not used any derivative financial instruments to hedge exposure to such risk.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the PBOC. The Renminbi has fluctuated against the U.S. dollars, at times significantly and unpredictably. The value of the Renminbi against the U.S. dollar and other currencies is affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. We cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. 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.

To the extent that we need to convert U.S. dollars we receive from our public offerings, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs for business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amounts available to us.

As of December 31, 2023, we had RMB-denominated cash and cash equivalents, restricted cash and short-term investments of RMB2,295.0 million and U.S. dollar-denominated cash and cash equivalents, restricted cash and short-term investments of US\$95.5 million. Assuming we had converted RMB2,295.0 million into U.S. dollars at the exchange rate of RMB7.0999 for US\$1.00, as of December 31, 2023, our U.S. dollar cash and cash equivalents, restricted cash and short-term investments would have been US\$323.2 million. If the RMB had depreciated by 10% against the U.S. dollar, our U.S. dollar cash and cash equivalents, restricted cash and short-term investments would have been US\$389.4 million instead. Assuming we had converted US\$95.5 million into RMB at the exchange rate of RMB7.0999 for US\$1.00, as of December 31, 2023, our RMB cash and cash equivalents, restricted cash and short-term investments would have been RMB678.0 million. If the RMB had depreciated by 10% against the U.S. dollar, our RMB cash and cash equivalents, restricted cash and short-term investments would have been RMB3,040.8 million.

Interest Rate Risk

Our exposure to interest rate risk primarily relates to interest expense incurred by our short-term and long-term borrowings, and the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. We have not used derivative financial instruments in our investment portfolio. Interest earning instruments carry a degree of interest rate risk. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates. However, due to changes in market interest rates, our future interest expense may increase and our future interest income may fall short of expectations.

Inflation Risk

Inflation in China has not materially impacted our results of operations in recent years. According to the National Bureau of Statistics of China, the year-over-year increase in the consumer price index in years 2021, 2022 and 2023 was 0.9%, 1.8% and 0.2%, respectively. 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.

Credit Risk

As of December 31, 2021, 2022 and 2023, all of our cash and cash equivalents, restricted cash, short-term investments were held by major financial institutions located in the PRC, Hong Kong, Japan and Taiwan which we believe are of high credit quality. We believe that we are not exposed to unusual risks as these financial institutions have high credit quality. We have not experienced any losses on deposits of cash and cash equivalents.

Our customers are generally reputable medium to large brands with proven track records, and our customers pay for our product sales through a network of third-party payment service providers. We have not experienced significant bad debts with respect to our accounts receivable, and made allowance for doubtful accounts of RMB118.7 million, RMB120.5 million and RMB124.7 million (US\$17.6 million) as of December 31, 2021, 2022 and 2023, respectively.

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 and Charges Our ADS Holders May Have to Pay

JPMorgan Chase Bank, N.A., the depository of our ADS program, or the depository, may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of Class A ordinary shares, issuances in respect of Class A ordinary share distributions, rights and other distributions, issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities or whose ADRs are cancelled or reduced for any other reason, US\$5.00 for each 100 ADSs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, as the case may be. The depository may sell (by public or private sale) sufficient securities and property received in respect of a Class A ordinary share distribution, rights and/or other distribution prior to such deposit to pay such charge.

The following additional charges shall also be incurred by the ADR holders, the beneficial owners, by any party depositing or withdrawing Class A ordinary shares or by any party surrendering ADSs and/or to whom ADSs are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the ADSs or the deposited securities or a distribution of ADSs), whichever is applicable:

- a fee of US\$0.05 or less per ADS upon which any cash distribution is made pursuant to the deposit agreement;
- an aggregate fee of US\$0.05 or less per ADS per calendar year (or portion thereof) for services performed by the depository in administering the ADRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders of ADRs as of the record date or record dates set by the depository during each calendar year and shall be payable in the manner described in the next succeeding provision);
- a fee for the reimbursement of such fees, charges and expenses as are incurred by the depository and/or any of its agents (including, without limitation, the custodian and expenses incurred on behalf of ADR holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the Class A ordinary shares or other deposited securities, the sale of securities (including, without limitation, deposited securities), the delivery of deposited securities or otherwise in connection with the depository's or its custodian's compliance with applicable law, rule or regulation (which fees and charges shall be assessed on a proportionate basis against ADR holders as of the record date or dates set by the depository and shall be payable at the sole discretion of the depository by billing such ADR holders or by deducting such charge from one or more cash dividends or other cash distributions);
- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the US\$0.05 per ADS issuance fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were Class A ordinary shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depository to those ADR holders entitled thereto;
- stock transfer or other taxes and other governmental charges (which are payable by ADR holders or persons depositing Class A ordinary shares);
- cancellation transaction (including SWIFT, telex and facsimile transmission) fees and delivery expenses incurred at your request in connection with the deposit or delivery of Class A ordinary shares, ADRs or deposited securities as disclosed on the "Disclosures" page (or successor page) of ADR.com (which are payable by such persons or holders);
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities (which are payable by persons depositing Class A ordinary shares or ADR holders withdrawing deposited securities); and
- fees of any division, branch or affiliate of the depository utilized by the depository to direct, manage and/or execute any public and/or private sale of securities under the deposit agreement.

To facilitate the administration of various depositary receipt transactions, including disbursement of dividends or other cash distributions and other corporate actions, the depositary may engage the foreign exchange desk within the depositary and/or its affiliates in order to enter into spot foreign exchange transactions to convert foreign currency into U.S. dollars. For certain currencies, foreign exchange transactions are entered into with the depositary or an affiliate, as the case may be, acting in a principal capacity. For other currencies, foreign exchange transactions are routed directly to and managed by an unaffiliated local custodian (or other third party local liquidity provider), and neither the depositary nor any of its affiliates is a party to such foreign exchange transactions.

The foreign exchange rate applied to a foreign exchange transaction will be either (a) a published benchmark rate, or (b) a rate determined by a third party local liquidity provider, in each case plus or minus a spread, as applicable. The depositary will disclose which foreign exchange rate and spread, if any, apply to such currency on the “Disclosures” page (or successor page) of ADR.com. Such applicable foreign exchange rate and spread may (and neither the depositary nor any of its affiliates is under any obligation to ensure that such rate does not) differ from rates and spreads at which comparable transactions are entered into with other customers or the range of foreign exchange rates and spreads at which the depositary or any of its affiliates enters into foreign exchange transactions in the relevant currency pair on the date of the foreign exchange transaction. Additionally, the timing of execution of a foreign exchange transaction varies according to local market dynamics, which may include regulatory requirements, market hours and liquidity in the foreign exchange market or other factors. Furthermore, the depositary and its affiliates may manage the associated risks of their position in the market in a manner they deem appropriate without regard to the impact of such activities on the depositary, us, holders or beneficial owners. The spread applied does not reflect any gains or losses that may be earned or incurred by the depositary and its affiliates as a result of risk management or other hedging related activity.

Notwithstanding the foregoing, to the extent we provide U.S. dollars to the depositary, neither the depositary nor any of its affiliates will execute a foreign exchange transaction as set forth herein. In such case, the depositary will distribute the U.S. dollars received from us.

Further details relating to the applicable foreign exchange rate, the applicable spread and the execution of foreign exchange transactions will be provided by the depositary on ADR.com. Each holder and beneficial owner by holding or owning an ADR or ADS or an interest therein, and we, each acknowledge and agree that the terms applicable to foreign exchange transactions disclosed from time to time on ADR.com will apply to any foreign exchange transaction executed pursuant to the deposit agreement.

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary.

The right of the depositary to charge and receive payment of fees, charges and expenses survives the termination of the deposit agreement, and shall extend for those fees, charges and expenses incurred prior to the effectiveness of any resignation or removal of the depositary.

The fees and charges described above may be amended from time to time by agreement between us and the depositary.

Fees and Other Payments Made by the Depositary to Us

Our depositary has agreed to reimburse us for certain expenses we incur that are related to establishment and maintenance of the ADR program upon such terms and conditions as we and the depositary may agree from time to time. Our depositary may make available to us a set amount or a portion of the depositary fees charged in respect of our ADR program or otherwise upon such terms and conditions as we and our depositary may agree from time to time. In 2023, the amount of reimbursements we received relating to the ADS facility from the depositary was US\$412,023.

Conversion between ADSs and Class A Ordinary Shares

Dealings and Settlement of Class A Ordinary Shares in Hong Kong

Our Class A ordinary shares trade on the Hong Kong Stock Exchange in board lots of 100 Class A ordinary shares. Dealings in our Class A ordinary shares on the Hong Kong Stock Exchange are conducted in Hong Kong dollars.

The transaction costs of dealings in our Class A ordinary shares on the Hong Kong Stock Exchange include:

- Hong Kong Stock Exchange trading fee of 0.005% of the consideration of the transaction, charged to each of the buyer and seller;
- Securities and Futures Commission of Hong Kong, or SFC, transaction levy of 0.0027% of the consideration of the transaction, charged to each of the buyer and seller;
- trading tariff of HK\$0.50 on each and every purchase or sale transaction. The decision on whether or not to pass the trading tariff onto investors is at the discretion of brokers;
- transfer deed stamp duty of HK\$5.00 per transfer deed (if applicable), payable by the seller;
- ad valorem stamp duty at a total rate of 0.2% of the value of the transaction, with 0.1% payable by each of the buyer and the seller;
- stock settlement fee, which is currently 0.002% of the gross transaction value, subject to a minimum fee of HK\$2.00 and a maximum fee of HK\$100.00 per side per trade;
- brokerage commission, which is freely negotiable with the broker (other than brokerage commissions for IPO transactions which are currently set at 1% of the subscription or purchase price and will be payable by the person subscribing for or purchasing the securities); and
- the Hong Kong share registrar's service fee of HK\$2.50 or 0.05% of the market value depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of Class A ordinary shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong.

Investors must settle their trades executed on the Hong Kong Stock Exchange through their brokers directly or through custodians. For an investor who has deposited his or her Class A ordinary shares in his or her stock account or in his or her designated Central Clearing and Settlement System, or CCASS, participant's stock account maintained with CCASS, settlement will be effected in CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. For an investor who holds the physical certificates, settlement certificates and the duly executed transfer forms must be delivered to his broker or custodian before the settlement date.

Conversion between Class A Ordinary Shares Trading in Hong Kong and ADSs

In connection with our Hong Kong IPO, we have established a branch register of members in Hong Kong, or the Hong Kong share register, which will be maintained by our Hong Kong share registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members, or the Cayman share register, will continue to be maintained by our principal share registrar, Vistra (Cayman) Limited.

All Class A ordinary shares offered in the Hong Kong IPO have been registered on the Hong Kong share register in order to be listed and traded on the Hong Kong Stock Exchange. As described in further detail below, holders of Class A ordinary shares registered on the Hong Kong share register will be able to convert these Class A ordinary shares into ADSs, and vice versa.

As a result of Hong Kong IPO, all deposits of Class A ordinary shares for the issuance of ADSs and all withdrawals of Class A ordinary shares upon the cancellation of ADSs will be in the form of Class A ordinary shares registered on our Hong Kong Class A ordinary share register and all corporate actions with respect thereto will be processed via the depository's custodian account at JPMorgan Chase Bank, N.A. Hong Kong Branch, within the CCASS system, subject to the rules and procedures applicable to JPMorgan Chase Bank, N.A. Hong Kong Branch – eligible securities, subject, in each case, to certain exceptions described below and provided that the foregoing shall not apply to certain of our restricted Class A ordinary shares and other Class A ordinary shares as determined by us and the depository, which will be via our principal register in the Cayman Islands.

Our ADSs

Our ADSs are traded on The Nasdaq Global Select Market. Dealings in our ADSs on The Nasdaq Global Select Market are conducted in U.S. Dollars. ADSs may be held either:

- directly, by having a certificated ADS, or an ADR, registered in the holder's name, or by holding a "Direct Registration ADR" in book-entry form in the "Direct Registration System," the system established by the Depository Trust Company, or DTC, for the uncertificated registration of ownership of securities utilized by the depository to record the ownership of ADRs without the issuance of certificates, in which case the ownership is evidenced by periodic statements issued by the depository to the holders of ADRs entitled thereto; or
- indirectly, through the holder's broker or other financial institution.

The depository for our ADSs is JP Morgan Chase Bank, N.A., whose office is located at 383 Madison Avenue, Floor 11, New York, New York, 10179.

Converting Class A Ordinary Shares Trading in Hong Kong into ADSs

An investor who holds Class A ordinary shares registered in Hong Kong and who intends to convert them to ADSs to trade on The Nasdaq Global Select Market must deposit or have his or her broker deposit the Class A ordinary shares with the depository's Hong Kong custodian, JP Morgan Chase Bank, N.A., Hong Kong Branch, or the custodian, in exchange for ADSs.

A deposit of Class A ordinary shares trading in Hong Kong in exchange for ADSs involves the following procedures:

- If Class A ordinary shares have been deposited with CCASS, the investor must transfer Class A ordinary shares to the depository's account with the custodian within CCASS by following the CCASS procedures for transfer and submit and deliver a duly completed and signed letter of transmittal to the custodian and depository via his or her broker.
- If Class A ordinary shares are held outside CCASS, the investor must arrange to deposit his or her Class A ordinary shares into CCASS for delivery to the depository's account with the custodian within CCASS, and submit and deliver a duly completed and signed letter of transmittal to the custodian and depository.
- Upon payment of its fees and expenses, payment or net of the depository's fees and expenses, and payment of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, and subject in all cases to the terms of the deposit agreement, the depository will issue the corresponding number of ADSs in the name(s) requested by an investor and will deliver the ADSs to the designated DTC account of the person(s) designated by an investor (if such ADSs are to be held directly by such investor in book-entry form through DTC's "Direct Registration System") or his or her broker, or will issue a certificated ADR if such ADSs are to be held in physical certificated form.

For Class A ordinary shares deposited in CCASS, under normal circumstances, the above steps generally require two business days. For Class A ordinary shares held outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. Temporary delays may arise. For example, the transfer books of the depository may from time to time be closed to ADS issuances. The investor will be unable to trade the ADSs until the procedures are completed.

Converting ADSs to Class A Ordinary Shares Trading in Hong Kong

An investor who holds ADSs and who intends to convert his/her ADSs into Class A ordinary shares to trade on the Hong Kong Stock Exchange must cancel the ADSs the investor holds and withdraw Class A ordinary shares from our ADS program and cause his or her broker or other financial institution to trade such Class A ordinary shares on the Hong Kong Stock Exchange.

An investor that holds ADSs indirectly through a broker or other financial institution should follow the procedure of the broker or financial institution and instruct such broker or financial institution to arrange for cancellation of the ADSs, and transfer of the underlying Class A ordinary shares from the depository's account with the custodian within the CCASS system to the investor's Hong Kong stock account.

For investors holding ADSs directly, the following steps must be taken:

- To withdraw Class A ordinary shares from our ADS program, an investor who holds ADSs may turn in such ADSs at the office of the depositary (and the applicable ADR(s) if the ADSs are held in physical certificated form), and send an instruction to cancel such ADSs to the depositary.
- Upon payment or net of its fees and expenses, payment of CCASS fees and expenses, and payment of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, and subject in all cases to the terms of the deposit agreement, the depositary will instruct the custodian to deliver Class A ordinary shares underlying the canceled ADSs to the CCASS account designated by an investor.
- If an investor prefers to receive Class A ordinary shares outside CCASS, he or she must receive Class A ordinary shares in CCASS first and then arrange for withdrawal from CCASS. Investors can then obtain a transfer form signed by HKSCC Nominees Limited (as the transferor) and register Class A ordinary shares in their own names with the Hong Kong Share Registrar.

For Class A ordinary shares to be received in CCASS, under normal circumstances, the above steps generally require two business days, provided that the investor has provided timely and complete instructions. For Class A ordinary shares to be received outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. The investor will be unable to trade the Class A ordinary shares on the Hong Kong Stock Exchange until the procedures are completed.

Temporary delays may arise. For example, the transfer books of the depositary may from time to time be closed to ADS cancellations. In addition, completion of the above steps and procedures is subject to there being a sufficient number of Class A ordinary shares on the Hong Kong share register to facilitate a withdrawal from the ADS program directly into the CCASS system. We are not under any obligation to maintain or increase the number of Class A ordinary shares on the Hong Kong share register to facilitate such withdrawals.

In the event there are not a sufficient number of Class A ordinary shares on the Hong Kong share register in the account of the depositary's custodian at CCASS to satisfy a cancellation of ADSs and withdrawal of Class A ordinary shares in whole or in part, such withdrawal shall be in the form of Class A ordinary shares on the Hong Kong share register to the extent available with the balance to be in the form of Class A ordinary shares on our principal share register in the Cayman Islands. The depositary is not under any obligation, and has no ability, to maintain or increase the number of Class A ordinary shares held by its custodian on the Hong Kong share register to facilitate such withdrawals.

Depositary Requirements

Before the depositary issues ADSs or permits withdrawal of Class A ordinary shares, the depositary may require:

- payment of all amounts required pursuant to the deposit agreement, including the issuance and cancellation fees therein, any stock transfer or other tax or other governmental charges and any stock transfer or registration fees in effect;
- production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with procedures it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depositary may refuse to deliver, transfer, or register issuances, transfers and cancellations of ADSs generally when the transfer books of the depositary or our Hong Kong share registrar or Cayman share register are closed or at any time if the depositary or we determine it advisable to do so, subject to such refusal complying with U.S. federal securities laws.

All costs attributable to the transfer of Class A ordinary shares to effect a withdrawal from or deposit of Class A ordinary shares into our ADS program will be borne by the investor requesting the transfer. In particular, holders of Class A ordinary shares and ADSs should note that the Hong Kong share registrar will charge HK\$2.50 or 0.05% of the market value, depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of Class A ordinary shares from one registered owner to another, each Class A ordinary share certificate canceled or issued by it and any applicable fee as stated in the Class A ordinary share transfer forms used in Hong Kong. In addition, holders of Class A ordinary shares and ADSs must pay up to US\$5.00 (or less) per 100 ADSs (or portion thereof) for each issuance of ADSs and each cancellation of ADSs, as the case may be, in connection with the deposit of Class A ordinary shares into, or withdrawal of Class A ordinary shares from, our ADS program.

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 — B. Memorandum and Articles of Association — Ordinary Shares” for a description of the rights of securities holders, which remain unchanged.

Use of Proceeds

In May 2015, we completed our initial public offering of our ADSs, in which we issued and sold an aggregate of 37,950,000 ordinary shares represented by 12,650,000 ADSs at US\$10.0 per ADS. The ordinary shares underlying the ADSs offered and sold were registered pursuant to the registration statement on Form F-1 (file number: 333-203477) filed with the SEC on May 21, 2015. Morgan Stanley & Co. International plc, Credit Suisse Securities (USA) LLC, and Merrill Lynch, Pierce, Fenner & Smith Incorporated acted as bookrunners of the offering. The aggregate price of the offering amount registered and sold was approximately US\$126.5 million, of which we received net proceeds of approximately US\$113.7 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by our company.

For the period from May 20, 2015, the date that the F-1 Registration Statement was declared effective by the SEC, to the date of this annual report, we have fully used US\$113.7 million net proceeds from our initial public offering for investment in sales and marketing activities, research and development and technology infrastructure, warehousing and fulfillment infrastructure and for general corporate purposes.

In December 2016, we completed a follow-on public offering of our ADSs, in which we issued and sold an aggregate of 9,000,000 Class A ordinary shares represented by 3,000,000 ADSs at US\$12.25 per ADS and the selling shareholders sold an aggregate of 3,000,000 ADSs. The ordinary shares underlying the ADSs offered and sold were registered pursuant to the registration statement on Form F-3 (file number: 333-214801) filed with the SEC on December 7, 2016. Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., and China Renaissance Securities (Hong Kong) acted as bookrunners of the offering. The aggregate price of the offering amount registered and sold by us was approximately US\$36.8 million, of which we received net proceeds of approximately US\$33.1 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by our company.

For the period from December 7, 2016, the date that the F-3 Registration Statement was declared effective by the SEC, to the date of this annual report, we have fully used US\$33.1 million net proceeds from our follow-on public offering for investment in sales and marketing activities, research and development and technology infrastructure, warehousing and fulfillment infrastructure and for general corporate purposes.

In April 2019, we completed an offering of US\$225 million in aggregate principal amount of the 2024 Notes, and the sale of an additional US\$50 million in aggregate principal amount of the 2024 Notes pursuant to the exercise by the initial purchasers in full of an option to purchase additional 2024 Notes, pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended. We received net proceeds from the Notes Offering of approximately US\$269.0 million. Concurrently with the Notes Offering, we also completed an offering of 4,230,776 ADSs, and we entered into the ADS lending agreements with the ADS Borrowers, pursuant to which we lent, in total, 4,230,776 ADSs to the ADS Borrowers. We did not receive any proceeds from the sale of the Borrowed ADSs, but received a nominal lending fee from the ADS Borrowers.

For the period from April 10, 2019, the date of the closing of the Note Offering, to the date of this annual report, we have fully used US\$269.0 million net proceeds from the Note Offering for working capital and other general corporate purposes, including repayment of outstanding indebtedness and acquisitions.

In September 2020, we completed a global offering of 40,000,000 Class A ordinary shares, which began trading on the Main Board of the Hong Kong Stock Exchange on September 29, 2020 under the stock code “9991.” The gross proceeds to us from the global offering, before deducting underwriting fees and the offering expenses, was approximately HK\$3,316.0 million (US\$424.5 million). On October 23, 2020, the underwriters partially exercised the over-allotment option in respect of an aggregate of 3,833,700 Class A ordinary shares. We received total net proceeds of approximately HK\$3,511.4 million (US\$449.6 million) after deducting offering expenses payable by us in relation to the global offering and the exercise of the over-allotment option.

For the period from September 29, 2020, the date of the Hong Kong IPO, to the date of this annual report, we have used US\$329.5 million net proceeds from the global offering and the Hong Kong public offering for expansion of our brand partner network, enhancing our digital marketing and fulfillment capabilities, investment in technology and innovation, strategic alliances, and merger and acquisitions.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures within the meaning of Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based upon that evaluation, our senior management has concluded that, as of December 31, 2021, our disclosure controls and procedures were effective.

Disclosure controls and procedures mean controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rule and forms and that such information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America 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 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of effectiveness of the 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, 2023 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, 2023.

Deloitte Touche Tohmatsu Certified Public Accountants LLP, our independent registered public accounting firm, audited the effectiveness of our company’s internal control over financial reporting as of December 31, 2023.

Report of Independent Registered Public Accounting Firm

To the shareholders and the Board of Directors of Baozun Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Baozun Inc. and its subsidiaries (the “Company”) as of December 31, 2023, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO. We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2023, of the Company and our report dated April 19, 2024 expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the translation of Renminbi amounts into United States dollar amounts for the convenience of readers in the United States of America.

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.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Shanghai, China
April 19, 2024

Changes in Internal Control over Financial Reporting

As required by Rule 13a-15(d), under the Exchange Act, our management, including our chief executive officer and our chief financial officer, also conducted an evaluation of our internal control over financial reporting to determine whether any changes occurred during the period covered by this report have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, it has been determined that there has been no such change during the period covered by this annual report.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Mr. Benjamin Changqing Ye, the chairman of our audit committee and an independent director, qualifies as an "audit committee financial expert" as defined in Item 16A of Form 20-F.

ITEM 16B. CODE OF ETHICS

We have adopted a Code of Business Conduct and Ethics, which is applicable to all of our directors, executive officers and employees. We have never granted a waiver for non-compliance with the policies and procedures set forth in the code of ethics for any director, officer or employee of our company or any of our subsidiaries.

A copy of our Code of Business Conduct Ethics is available at our website at www.baozun.com.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The table below summarizes the fees that we paid or accrued for services provided by our principal external auditors⁽¹⁾ for the years ended December 31, 2022 and 2023.

	For the Year Ended December 31,			
	2022	%	2023	%
	(in thousands)		(in thousands)	
Audit Fees	US\$ 1,040.3	67.8	1,147.9	59.2
Audit-Related Fees	—	—	—	—
Tax Fees	—	—	—	—
All Other Fees	493.0	32.2	790.2	40.8
Total	US\$ 1,533.3	100.0	1,938.1	100.0

Note:

(1) We engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP as independent registered public accounting firm for our annual report on Form 20-F, and Deloitte Touche Tohmatsu in Hong Kong as independent auditor for our Hong Kong annual report.

Audit Fees. This category includes the audit of our annual financial statements and services that are normally provided by our principal external auditors in connection with statutory and regulatory filings or other engagements for those fiscal years and public offering in Hong Kong Stock Exchange in 2020.

Audit-Related Fees. This category includes the aggregate fees billed in each of the fiscal years listed for assurance and related services by our principal external auditors that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under “Audit fees.”

Tax fees. This category includes the aggregate fees billed for professional services rendered by our principal external auditors for tax compliance, tax advice, and tax planning.

All Other Fees. Other fees billed for the fiscal years ended December 31, 2023 includes fees billed by our principal external auditors other than services reported under “Audit Fees,” “Audit-related Fees” and “Tax Fees.”

All audit services need to be pre-approved by the audit committee on a case-by-case basis. Accordingly, we have established pre-approval policies and procedures. All audit services performed by our principal external auditors after our initial public offering were pre-approved by the audit committee.

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

Not applicable.

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

In May 2021, our board of directors authorized a program, or the May 2021 program, under which we may repurchase up to US\$125 million worth of our outstanding ADSs and/or Class A ordinary shares over the course of the next 12 months starting from May 18, 2021. The May 2021 program was publicly announced on May 18, 2021.

In November 2021, our board of directors authorized another program, or the November 2021 program, under which we may repurchase up to US\$50 million worth of our outstanding ADSs and/or Class A ordinary shares over the course of the next 12 months starting from November 30, 2021. The November 2021 program was publicly announced on November 30, 2021.

In March 2022, our board of directors authorized a program, or the March 2022 program, under which we may repurchase up to US\$80 million worth of our outstanding ADSs and/or Class A ordinary shares over the course of the next 12 months starting from March 25, 2022. The March 2022 program was publicly announced on March 25, 2022.

Under both the May 2021 program, the November 2021 program and the March 2022 program, the repurchases may be made from time to time on the open market at prevailing market prices, in privately negotiated transactions, in block trades and/or through other legally permissible means, depending on market conditions and in accordance with applicable rules and regulations. We did not make any repurchase of our ADSs in 2023.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

ITEM 16G. CORPORATE GOVERNANCE

We are incorporated in the Cayman Islands and our corporate governance practices are governed by applicable Cayman Islands law. In addition, because our ADSs are listed on The Nasdaq Global Select Market, we are subject to Nasdaq's corporate governance requirements.

Rule 5615(a)(3) of the Nasdaq Stock Market Rules permits a foreign private issuer like us to follow home country practices in lieu of certain requirements of Rule 5600, provided that such foreign private issuer discloses in its annual report filed with the SEC each requirement of Rule 5600 that it does not follow and describes the home country practice followed in lieu of such requirement.

We followed our home country practice that does not require us to solicit proxy and hold meetings of our shareholders every year for the years of 2017, 2018, 2019 and 2020. We had amended our annual general meeting to amend our articles of association according to the Hong Kong Listing Rules such that we shall hold an annual general meeting of shareholders every year, starting from 2021. We have further amended our articles of association according to Appendix 3 to the Hong Kong Listing Rules such that we shall hold an annual general meeting of shareholders every year within six months after the end of our financial year starting from 2023.

The Nasdaq Stock Market Rules require that a majority of a Nasdaq-listed company's board of directors be independent directors. Our Cayman Islands counsel has provided a letter to The Nasdaq Stock Market certifying that under Cayman Islands law, we are not required to follow or comply with the requirement that a majority of our board members be independent directors. As of the date of this annual report, our board of directors consists of seven directors, three of which meet the "independence" requirements of the Nasdaq Stock Market Rules.

Furthermore, in July 2016, our board of directors approved an amendment to our 2015 Plan to increase the number of Class A ordinary shares reserved for issuance under our 2015 Plan, and we followed our home country practice that does not require shareholder approval for such amendment.

Other than the practices described above, there are no significant differences between our corporate governance practices and those followed by U.S. domestic companies under the Nasdaq Stock Market Rules.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

ITEM 16J. INSIDER TRADING POLICIES

We have adopted an Insider Trading Policy governing the purchase, sale and other disposition of our securities by directors, senior management and employees, among others. A copy of the policy is filed as an exhibit to this annual report.

ITEM 16K. CYBERSECURITY

Risk Management and Strategy

We have implemented comprehensive cybersecurity risk assessment procedures to ensure effectiveness in cybersecurity management, strategy and governance and reporting cybersecurity risks. We have also integrated cybersecurity risk management into our overall enterprise risk management system.

We have developed strong cybersecurity technology and practices that safeguard our systems and data throughout all platforms, and have established a dedicated team to supervise our data protection and cybersecurity, ensure compliance with applicable laws and regulations and ensure that we are meeting the expectations of consumers and our brand partners. Our Information Security department regularly monitors the performance of our platforms, apps and infrastructure to enable us to respond quickly to potential problems, including potential cybersecurity threats.

We strive to manage cybersecurity risks through various means, such as technical safeguards, procedural requirements, an intensive program of monitoring on our corporate network, frequent testing of aspects of our security posture internally and with outside vendors, a robust incident response program and regular cybersecurity awareness training for employees. In response to the enactment of the Personal Information Protection Law in 2021, we completed a system transformation in 2021, including core system data desensitization, data encryption, batch export control, and implement personal information protection, data security protection, and key infrastructure protection from the management and technology aspect. In addition, we regularly review our information security work in accordance with advanced domestic and international standards and complete the construction of information and data security from four dimensions: information security management structure and system, taking key safeguard measures and actions, building an emergency mechanism, and strengthening employee's awareness.

As of the date of this annual report, we have not experienced any material cybersecurity incidents or identified any material cybersecurity threats that have affected or are reasonably likely to materially affect us, our business strategy, results of operations or financial condition.

Governance

We have established our information security management committee as the highest decision-making body for cybersecurity-related matters, with overall responsibility for our cybersecurity and privacy protection strategies and practices, and reporting directly to our Board of Directors. Our information security management committee is composed of senior management, including our chief security officer and all relevant department heads, who have years of experience and extensive knowledge and skills in security risk identification, security risk management and security compliance. The committee is responsible for the following matters:

- Assessing, identifying and managing material risks from cybersecurity threats to our Company;
- Monitoring the prevention, detection, mitigation and remediation of material cybersecurity incident;
- Maintaining oversight of the disclosure in Form 6-K for material cybersecurity incidents (if any);
- Meeting with our Board of Directors (i) updating the status of any material cybersecurity incidents or material risks from cybersecurity threats to the company, if any, and the relevant disclosure issues, and (ii) in connection with each annual report, presenting the disclosure concerning cybersecurity matters in Form 20-F, along with a report highlighting particular disclosure issues, if any, and hold a Q&A session, if needed; and
- Discussing material cybersecurity incidents or threats with specific constituencies, reviewing related information and disclosures.

Our Board of Directors supervises our company's overall risk management, including cybersecurity risks, and receives and reviews, on an as-needed basis, presentations and reports on material cybersecurity issues from our information security management committee, who is designated as the primary responsible body for overseeing the day-to-day cybersecurity risk management. Our Board of Directors is also responsible for maintaining oversight of the disclosure related to cybersecurity matters in the periodic reports of our Company.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide the financial statements and related information specified in Item 18 in lieu of Item 17.

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of Baozun Inc. are included at the end of this annual report.

ITEM 19. EXHIBITS

Exhibit Number	Description of Documents
1.1	Sixth Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated by reference to Exhibit 3.1 of Form 6-K (File No. 001-37385) filed with the Commission on October 31, 2022)
2.1	Registrant's Specimen Share Certificate (incorporated by reference to Exhibit 4.2 of Form F-1/A (File No. 333-203477) filed with the Securities and Exchange Commission on May 5, 2015)
2.2	Registrant's Specimen of Class A Ordinary Share Certificate (incorporated by reference to Exhibit 4.1 of Form 6-K (File No. 001-37385) filed with the Securities and Exchange Commission on September 23, 2020)
2.3	Second Amended and Restated Deposit Agreement, dated as of June 10, 2020, among the Registrant, JP Morgan Chase Bank, N.A., as depositary, and holders and beneficial owners from time to time of American Depositary Receipts issued thereunder (incorporated by reference to Exhibit 4.4 of Form S-8 (File No. 333-255176) filed with the Securities and Exchange Commission on April 12, 2021)
2.4	Form of American Depositary Receipt (included in Exhibit 2.3)
2.5	Amended and Restated Shareholders' Agreement, dated as of October 29, 2014, among the Registrant, the then shareholders of the Registrant and certain other parties listed thereunder (incorporated by reference to Exhibit 4.4 of Form F-1 (File No. 333-203477) filed with the Securities and Exchange Commission on April 17, 2015)
2.6	Amendment Agreement to Amended and Restated Shareholders' Agreement, dated as of December 11, 2014, among the Registrant, the then shareholders of the Registrant and certain other parties listed thereunder (incorporated by reference to Exhibit 4.5 of Form F-1 (File No. 333-203477) filed with the Securities and Exchange Commission on April 17, 2015)
2.7*	Description of Securities Registered under Section 12 of the Securities Exchange Act of 1934
4.1	2014 Share Incentive Plan (incorporated by reference to Exhibit 10.1 of Form F-1 (File No. 333-203477) filed with the Securities and Exchange Commission on April 17, 2015)
4.2	2015 Share Incentive Plan, as amended (incorporated by reference to Exhibit 10.1 of Form F-3 (File No. 333-214801) filed with the Securities and Exchange Commission on November 25, 2016)
4.3	2022 Share Incentive Plan (incorporated by reference to Exhibit 10.1 of Form S-8 (File No. 333-268083) filed with the Securities and Exchange Commission on November 1, 2022)
4.4	Form of Indemnification Agreement with the Registrant's Directors and Officers (incorporated by reference to Exhibit 10.2 of Form F-1/A (File No. 333-203477) filed with the Securities and Exchange Commission on May 5, 2015)
4.5	Form of Employment Agreement between the Registrant and Executive Officers of the Registrant (incorporated by reference to Exhibit 10.3 of Form F-1/A (File No. 333-203477) filed with the Securities and Exchange Commission on May 8, 2015)

[Table of Contents](#)

Exhibit Number	Description of Documents
4.6	English Translation of Exclusive Technology and Services Agreement, dated as of April 1, 2014, between Shanghai Baozun E-commerce Limited and Shanghai Zunyi Business Consulting Ltd. (incorporated by reference to Exhibit 10.4 of Form F-1 (File No. 333-203477) filed with the Securities and Exchange Commission on April 17, 2015).
4.7	English Translation of Exclusive Call Option Agreement for Shanghai Zunyi Business Consulting Ltd., dated as of April 1, 2014, among Mr. Vincent Wenbin Qiu, Mr. Michael Qingyu Zhang, Shanghai Baozun E-commerce Limited and Shanghai Zunyi Business Consulting Ltd. (incorporated by reference to Exhibit 10.5 of Form F-1 (File No. 333-203477) filed with the Securities and Exchange Commission on April 17, 2015).
4.8	English Translation of Amended and Restated Shareholders' Voting Rights Proxy Agreement for Shanghai Zunyi Business Consulting Ltd., dated as of July 25, 2019, among Mr. Vincent Wenbin Qiu, Mr. Michael Qingyu Zhang, Shanghai Baozun E-commerce Limited and Shanghai Zunyi Business Consulting Ltd. (incorporated by reference to Exhibit 4.7 of Form 20-F (File No. 001-37385) filed with the Securities and Exchange Commission on April 28, 2020).
4.9	English Translation of Amended and Restated Equity Pledge Agreement for Shanghai Zunyi Business Consulting Ltd., dated as of August 27, 2019, among Mr. Vincent Wenbin Qiu, Shanghai Baozun E-commerce Limited and Shanghai Zunyi Business Consulting Ltd. (incorporated by reference to Exhibit 4.8 of Form 20-F (File No. 001-37385) filed with the Securities and Exchange Commission on April 28, 2020).
4.10	English Translation of Amended and Restated Equity Pledge Agreement for Shanghai Zunyi Business Consulting Ltd., dated as of August 27, 2019, among Mr. Michael Qingyu Zhang, Shanghai Baozun E-commerce Limited and Shanghai Zunyi Business Consulting Ltd. (incorporated by reference to Exhibit 4.9 of Form 20-F (File No. 001-37385) filed with the Securities and Exchange Commission on April 28, 2020).
4.11	Summary English Translation of Asset Transfer Contract, dated as of April 7, 2017, by and between Baotong E-Logistics Technology (Suzhou) Limited and MCL Technology (China) Co., Ltd. (incorporated by reference to Exhibit 4.10 of Form 20-F (File No. 001-37385) filed with the Securities and Exchange Commission on April 12, 2017).
4.12	ADS Lending Agreement, dated as of April 4, 2019, among the Registrant and each of Credit Suisse International and Deutsche Bank AG, London Branch (incorporated by reference to Exhibit 99.1 on Form 6-K filed with the Securities and Exchange Commission on April 5, 2019.)
4.13	Indenture, dated as of April 10, 2019, between the Registrant and Citicorp International Limited. (incorporated by reference to Exhibit 4.12 of Form 20-F (File No. 001-37385) filed with the Securities and Exchange Commission on April 28, 2020).
4.14	Form of 1.625% Convertible Senior Notes due 2024 (included in Exhibit 4.13)
8.1*	List of Significant Subsidiaries and Consolidated Affiliated Entity
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated by reference to Exhibit 99.1 to the registration statement on Form F-1 (File No. 333-203477) filed with the Securities and Exchange Commission on April 17, 2015).
11.2*	Insider Trading Policy
12.1*	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

[Table of Contents](#)

Exhibit Number	Description of Documents
15.1*	Consent of Independent Registered Public Accounting Firm
15.2*	Consent of Han Kun Law Offices
15.3*	Consent of Maples and Calder (Hong Kong) LLP
97.1*	Compensation Clawback Policy
101.INS*	Inline XBRL Instance Document—this instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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)

* Filed herewith

** Furnished herewith

SIGNATURES

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

Baozun Inc.

By: /s/ Arthur Yu

Name: Arthur Yu

Title Chief Financial Officer

Date: April 19, 2024

BAOZUN INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Pages
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2022 and 2023	F-4
Consolidated Statements of Operations for the Years Ended December 31, 2021, 2022 and 2023	F-6
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2021, 2022 and 2023	F-7
Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2021, 2022 and 2023	F-8
Consolidated Statements of Cash Flows for the Years Ended December 31, 2021, 2022 and 2023	F-9
Notes to Consolidated Financial Statements	F-11
Schedule I - Condensed Financial Information of Parent Company	F-43

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Baozun Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Baozun Inc. and its subsidiaries (the “Company”) as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income, changes in shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and the financial statement schedule listed in the Schedule I (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We have also 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, 2023, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 19, 2024, expressed an unqualified opinion on the Company’s internal control over financial reporting.

Convenience Translation

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

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the 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 critical audit matter does not alter in any way our opinion on the 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.

Goodwill - Baozun and BolTone Reporting Units — Refer to Notes 2(p) and 11 to the financial statements

Critical Audit Matter Description

As of December 31, 2023, the Company had goodwill of RMB312 million, and concluded through its impairment analyses that RMB35 million of impairment loss on goodwill should be recognized for the year ended December 31, 2023.

We identified impairment assessments of goodwill assigned to Baozun (“BZ”) and BolTone (“BLT”) reporting units as a critical audit matter because of the significant judgments made by management relating the determination of the estimated fair value of BZ and BLT reporting units as part of the impairment assessments. The Company determined the estimated fair value of BZ and BLT reporting units using the discounted cash flow methodology under income approach. The determination of the fair value using the discounted cash flow model requires management to make significant estimates and assumptions related to revenues, growth rates, projected operating profits and discount rates (collectively referred to as “significant assumptions”), specifically due to the sensitivity of BZ and BLT’s operations to changes in the economy. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the reasonableness of management’s significant judgments.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to evaluation of the goodwill impairment of BZ and BLT included the following, among others:

- We tested the effectiveness of internal controls which address risks of material misstatements with respect to management’s impairment assessment of Group’s goodwill including internal controls related to management’s determination of significant assumption used in the discounted cash flow model.
- We assessed the competency and qualifications of the external valuation specialists engaged by management to assist them with the determination of fair value.
- We evaluated the reasonableness of judgments made and significant assumptions used by management in the cash flow projections for the determination of fair value of BZ and BLT reporting units.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the (1) valuation methodology and (2) discount rate.
- We tested the accuracy and completeness of the key data used in developing estimates.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Shanghai, China

April 19, 2024

We have served as the Company’s auditor since 2014.

BAOZUN INC.
CONSOLIDATED BALANCE SHEET
(All amounts in thousands, except share and per share data)

	As of December 31,		
	2022	2023	
	RMB	RMB	US\$ Note 2(g)
ASSETS			
Current assets:			
Cash and cash equivalents	2,144,020	2,149,531	302,755
Restricted cash	101,704	202,764	28,559
Short-term investments	895,425	720,522	101,483
Accounts receivable, net of allowance for credit losses of RMB120,495 and RMB124,737 as of December 31, 2022 and 2023, respectively	2,292,678	2,184,729	307,712
Inventories	942,997	1,045,116	147,202
Advances to suppliers	372,612	311,111	43,819
Prepayments and other current assets	554,415	590,350	83,149
Amounts due from related parties	93,270	86,661	12,206
Total current assets	7,397,121	7,290,784	1,026,885
Non-current assets:			
Long term investments	269,693	359,129	50,582
Property and equipment, net	694,446	851,151	119,882
Intangible assets, net	310,724	306,420	43,158
Land use right, net	39,490	38,464	5,418
Operating lease right-of-use assets	847,047	1,070,120	150,723
Goodwill	336,326	312,464	44,010
Other non-current assets	65,114	45,316	6,383
Deferred tax assets	162,509	200,628	28,258
Total non-current assets	2,725,349	3,183,692	448,414
TOTAL ASSETS	10,122,470	10,474,476	1,475,299
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term loans	1,016,071	1,115,721	157,146
Accounts payable	474,732	563,562	79,376
Notes payable	487,837	506,629	71,357
Income tax payables	46,828	18,768	2,643
Accrued expenses and other current liabilities	1,025,540	1,188,179	167,350
Derivative liabilities	364,758	—	—
Amounts due to related parties	30,434	32,118	4,524
Current operating lease liabilities	235,445	332,983	46,900
Total current liabilities	3,681,645	3,757,960	529,296
Non-current liabilities:			
Deferred tax liability	28,082	24,966	3,516
Long-term operating lease liabilities	673,955	799,096	112,550
Other non-current liabilities	62,450	40,718	5,735
Total non-current liabilities	764,487	864,780	121,801
TOTAL LIABILITIES	4,446,132	4,622,740	651,097

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

BAOZUN INC.

CONSOLIDATED BALANCE SHEET

(All amounts in thousands, except for share and per share data)

	As of December 31,		
	2022	2023	
	RMB	RMB	US\$ Note 2(g)
Redeemable non-controlling interests	1,438,082	1,584,858	223,223
Baozun Inc. shareholders' equity:			
Class A ordinary shares (US\$0.0001 par value; 470,000,000 shares authorized, 163,100,873 and 167,901,880 shares issued and outstanding as of December 31, 2022, and December 31, 2023, respectively)	116	93	13
Class B ordinary shares (US\$0.0001 par value; 30,000,000 shares authorized, 13,300,738 shares issued and outstanding as of December 31, 2022, and December 31, 2023, respectively)	8	8	1
Additional paid-in capital	5,129,103	4,571,439	643,874
Treasury shares (32,353,269 and nil shares as of December 31, 2022 and 2023, respectively)	(832,578)	—	—
Accumulated deficit	(228,165)	(506,587)	(71,349)
Accumulated other comprehensive income	15,678	32,251	4,542
Total Baozun Inc. shareholders' equity	4,084,162	4,097,204	577,081
Non-controlling interests	154,094	169,674	23,898
Total equity	4,238,256	4,266,878	600,979
TOTAL LIABILITIES, REDEEMABLE NON-CONTROLLING INTERESTS AND EQUITY	10,122,470	10,474,476	1,475,299

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

BAOZUN INC.

CONSOLIDATED STATEMENT OF OPERATIONS

(All amounts in thousands, except for share and per share data)

	For the year ended December 31,			
	2021 RMB	2022 RMB	2023 RMB US\$ Note 2(g)	
Net revenues				
Product sales	3,873,589	2,644,214	3,357,202	472,852
Services (including related party revenues of RMB95,821, RMB133,758 and RMB113,288 for the years ended December 31, 2021, 2022 and 2023, respectively)	5,522,667	5,756,417	5,454,811	768,294
Total net revenues	9,396,256	8,400,631	8,812,013	1,241,146
Operating expenses:				
Cost of products	(3,276,571)	(2,255,950)	(2,409,110)	(339,316)
Fulfillment	(2,661,126)	(2,719,749)	(2,507,306)	(353,147)
Sales and marketing	(2,549,842)	(2,674,358)	(2,829,016)	(398,459)
Technology and content	(448,410)	(427,954)	(505,203)	(71,156)
General and administrative	(525,802)	(371,470)	(855,914)	(120,553)
Other operating income, net	72,516	95,292	123,368	17,377
Impairment of goodwill	—	(13,155)	(35,212)	(4,960)
Total operating expenses	(9,389,235)	(8,367,344)	(9,018,393)	(1,270,214)
Income /(loss) from operations	7,021	33,287	(206,380)	(29,068)
Other income (expenses):				
Interest income	62,943	45,816	82,113	11,565
Interest expense	(56,847)	(56,917)	(41,344)	(5,823)
Unrealized investment loss	(209,956)	(97,827)	(68,031)	(9,582)
Gain (loss) on disposal of investments	150	(16,967)	—	—
(Loss) gain on disposal/acquisition of subsidiaries	—	(90,065)	631	89
Gain on repurchase of 1.625% convertible senior notes due 2024	—	7,907	—	—
Impairment loss of investments	(3,541)	(8,400)	—	—
Exchange gain (loss)	46,226	(32,384)	(8,530)	(1,201)
Fair value (loss) gain on derivative liabilities	—	(364,758)	24,515	3,453
Loss before income tax and share of income in equity method investment	(154,004)	(580,308)	(217,026)	(30,567)
Income tax expense	(55,259)	(26,480)	(12,003)	(1,691)
Share of income (loss) in equity method investment	3,300	(3,586)	6,253	881
Net loss	(205,963)	(610,374)	(222,776)	(31,377)
Net (income) loss attributable to non-controlling interests	(1,505)	843	(9,677)	(1,363)
Net income attributable to redeemable non-controlling interests	(12,362)	(43,759)	(45,969)	(6,475)
Net loss attributable to ordinary shareholders of Baozun Inc.	(219,830)	(653,290)	(278,422)	(39,215)
Net loss per share attributable to ordinary shareholders of Baozun Inc.:				
Basic	(1.02)	(3.56)	(1.56)	(0.22)
Diluted	(1.02)	(3.56)	(1.56)	(0.22)
Net loss per American depositary shares ("ADS") attributable to ordinary shareholders of Baozun Inc.:				
Basic	(3.05)	(10.69)	(4.68)	(0.66)
Diluted	(3.05)	(10.69)	(4.68)	(0.66)

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

BAOZUN INC.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in thousands, except for share and per share data)

	For the year ended December 31,			
	2021 RMB	2022 RMB	2023 RMB	US\$ Note 2(g)
Net loss	(205,963)	(610,374)	(222,776)	(31,377)
Other comprehensive (loss)/income, net of tax of nil:				
Foreign currency translation adjustment	(53,847)	118,281	16,573	2,334
Comprehensive loss	(259,810)	(492,093)	(206,203)	(29,043)
Total comprehensive (income) loss attributable to non-controlling interests	(1,505)	843	(9,677)	(1,363)
Total comprehensive income attributable to redeemable non-controlling interests	(12,362)	(43,759)	(45,969)	(6,475)
Total comprehensive loss attributable to ordinary shareholders of Baozun Inc.	<u>(273,677)</u>	<u>(535,009)</u>	<u>(261,849)</u>	<u>(36,881)</u>

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

BAOZUN INC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(All amounts in thousands, except for share and per share data)

	Ordinary shares		Treasury shares		Additional paid-in capital	Retained Earnings	Accumulated other comprehensive income	Total Baozun shareholders' equity	Non-controlling interests	Total equity
	Number of Shares	RMB	Number of Shares	RMB						
Balance as of January 1, 2021	233,805,853	145	—	—	5,207,631	952,001	(48,756)	6,111,021	22,582	6,133,603
Net loss	—	—	—	—	—	(219,830)	—	(219,830)	13,867	(205,963)
Net income attributable to redeemable non-controlling interests	—	—	—	—	—	—	—	—	(12,362)	(12,362)
Share repurchases	—	—	27,191,731	(1,060,353)	—	—	—	(1,060,353)	—	(1,060,353)
Cancellation of shares repurchased	(19,042,105)	(12)	(19,042,105)	674,411	(367,353)	(307,046)	—	—	—	—
Share-based compensation	—	—	—	—	196,547	—	—	196,547	—	196,547
Exercise of share options and vesting of RSUs	2,180,370	—	—	—	52	—	—	52	—	52
Foreign currency translation adjustment	—	—	—	—	—	—	(53,847)	(53,847)	—	(53,847)
Tax effect relating to the investment from Cainiao	—	—	—	—	(82,094)	—	—	(82,094)	—	(82,094)
Acquisition of non-controlling interest	—	—	—	—	4,863	—	—	4,863	(16,361)	(11,498)
Non-controlling interest acquired from business combinations	—	—	—	—	—	—	—	—	155,584	155,584
Balance as of December 31, 2021	216,944,118	133	8,149,626	(385,942)	4,959,646	425,125	(102,603)	4,896,359	163,310	5,059,669
Net loss	—	—	—	—	—	(653,290)	—	(653,290)	42,916	(610,374)
Net income attributable to redeemable non-controlling interests	—	—	—	—	—	—	—	—	(43,759)	(43,759)
Share repurchases	—	—	24,203,643	(446,636)	—	—	—	(446,636)	—	(446,636)
Cancellation and return of loaned ADS	(12,692,328)	(9)	—	—	9	—	—	—	—	—
Share-based compensation	—	—	—	—	142,381	—	—	142,381	—	142,381
Exercise of share options and vesting of RSUs	4,503,090	—	—	—	3	—	—	3	—	3
Foreign currency translation adjustment	—	—	—	—	—	—	118,281	118,281	—	118,281
Acquisition of non-controlling interest	—	—	—	—	1,095	—	—	1,095	(6,465)	(5,370)
Consolidation of subsidiaries with noncontrolling interests	—	—	—	—	—	—	—	—	9,830	9,830
Deconsolidation of a subsidiary due to loss of control	—	—	—	—	26,029	—	—	26,029	(12,098)	13,931
Capital contribution from noncontrolling interests	—	—	—	—	(60)	—	—	(60)	360	300
Balance as of December 31, 2022	208,754,880	124	32,353,269	(832,578)	5,129,103	(228,165)	15,678	4,084,162	154,094	4,238,256
Net loss	—	—	—	—	—	(278,422)	—	(278,422)	55,646	(222,776)
Net income attributable to redeemable non-controlling interests	—	—	—	—	—	—	—	—	(45,969)	(45,969)
Cancellation of treasury shares (Note 17)	(32,353,269)	(23)	(32,353,269)	832,578	(832,555)	—	—	—	—	—
Share-based compensation	—	—	—	—	94,971	—	—	94,971	—	94,971
Exercise of share options and vesting of RSUs	4,801,007	—	—	—	1	—	—	1	—	1
Foreign currency translation adjustment	—	—	—	—	—	—	16,573	16,573	—	16,573
Acquisition of non-controlling interest	—	—	—	—	(2,263)	—	—	(2,263)	(558)	(2,821)
Capital contribution from noncontrolling interests	—	—	—	—	—	—	—	—	2,736	2,736
Settlement of derivative liabilities with Cainiao with shares of a subsidiary (Note 16)	—	—	—	—	182,182	—	—	182,182	—	182,182
Acquisition of subsidiary	—	—	—	—	—	—	—	—	5,325	5,325
Dividend to non-controlling interest shareholders	—	—	—	—	—	—	—	—	(1,600)	(1,600)
Balance as of December 31, 2023	181,202,618	101	—	—	4,571,439	(506,587)	32,251	4,097,204	169,674	4,266,878

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

BAOZUN INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(All amounts in thousands, except for share and per share data)

	For the year ended December 31.			
	2021	2022	2023	
	RMB	RMB	RMB	US\$ Note 2(g)
Cash flows from operating activities:				
Net loss	(205,963)	(610,374)	(222,776)	(31,377)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Provision for allowance for credit losses	105,825	1,494	19,750	2,782
Inventory write-down	89,516	161,596	152,904	21,536
Share-based compensation	196,547	142,381	103,449	14,570
Depreciation and amortization	206,936	196,543	251,628	35,441
Amortization of issuance cost of convertible senior notes	23,673	7,861	—	—
Deferred income tax	(63,655)	(56,115)	(45,591)	(6,421)
Loss on disposal of property and equipment	8,314	1,229	7,410	1,044
Gain (loss) on disposal of investments	(150)	16,967	—	—
(Loss) gain on disposal/acquisition of subsidiaries	—	90,065	(631)	(89)
Share of income (loss) in equity method investment	(3,300)	3,586	(6,253)	(881)
Impairment loss of investments	3,541	8,400	—	—
Unrealized loss related to investment securities	209,956	97,827	68,031	9,582
Exchange loss (gain)	(14,015)	804	8,530	1,201
Impairment of goodwill	—	13,155	35,212	4,960
Fair value loss on contingent consideration payable	—	9,495	—	—
Fair value loss (gain) on derivative liabilities	—	364,758	(24,515)	(3,453)
Gain on repurchase of 1.625% convertible senior notes due 2024	—	(7,907)	—	—
Changes in operating assets and liabilities:				
Accounts receivable	(98,601)	(42,366)	226,889	31,957
Inventories	(137,044)	(31,026)	(33,808)	(4,762)
Advances to suppliers	(243,776)	158,312	65,942	9,288
Prepayments and other current assets	3,120	(134,949)	(10,890)	(1,532)
Amounts due from related parties	(19,249)	(8,921)	4,702	662
Operating lease right-of-use assets	(570,777)	248,523	143,840	20,259
Other non-current assets	(28,742)	22,812	21,693	3,055
Accounts payable	39,311	57,448	(133,511)	(18,805)
Notes payable	28,783	(41,766)	18,792	2,647
Income tax payables	(26,693)	(81,162)	(27,375)	(3,856)
Amounts due to related parties	28,796	(43,360)	2,403	338
Accrued expenses and other current liabilities	(254,576)	89,566	13,967	1,967
Other non-current liabilities	—	—	(47,313)	(6,664)
Operating lease liabilities	626,116	(252,271)	(144,224)	(20,314)
Net cash (used in) provided by operating activities	(96,107)	382,605	448,255	63,135
Cash flows from investing activities:				
Purchases of property and equipment	(285,586)	(206,956)	(165,007)	(23,241)
Purchases of investment securities	(324,464)	—	—	—
Purchases of short-term investments	(954,905)	(907,790)	(820,633)	(115,583)
Cash outflow upon disposal of equity interest in subsidiaries	—	(1,902)	—	—
Maturity of short-term investments	2,388,364	10,000	1,010,477	142,325
Additions of intangible assets	(67,194)	(52,286)	(65,195)	(9,183)
Investment in equity investees	(163,166)	(63,225)	(172,313)	(24,270)
Net cash paid for business combination	(208,429)	(77,738)	(104,623)	(14,736)
Disposal of equity investments	—	8,600	6,300	887
Loan to a related party	(8,800)	(15,364)	(29,378)	(4,138)
Net cash provided by (used in) investing activities	375,820	(1,306,661)	(340,372)	(47,939)

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

BAOZUN INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(All amounts in thousands, except for share and per share data)

	For the year ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$ Note 2(g)
Cash flows from financing activities:				
Payment for public offering costs	(11,075)	—	—	—
Proceeds from short-term borrowings	548,462	1,843,457	1,820,689	256,438
Repayment of short-term borrowings	—	(1,375,847)	(1,721,039)	(242,403)
Repurchase of ordinary shares	(1,060,353)	(446,636)	—	—
Proceeds from sale of a subsidiary's equity interest to Cainiao	1,290,847	101,189	—	—
Cash settlement of derivative liabilities with Cainiao	—	—	(73,988)	(10,421)
Proceeds from exercises of stock options	52	3	1	—
Acquisition of non-controlling interests of subsidiaries	(17,980)	(5,371)	(2,821)	(397)
Dividend Payment	—	—	(1,120)	(158)
Capital contribution from NCI	—	—	2,736	385
Repurchase and redemption of convertible senior notes	—	(1,759,973)	—	—
Payment of contingent consideration for acquisition of Full Jet (Note 9(a))	—	(7,224)	(32,491)	(4,576)
Net cash provided/(used in) by financing activities	749,953	(1,650,402)	(8,033)	(1,132)
Net increase (decrease) in cash, cash equivalents and restricted cash	1,029,666	(2,574,458)	99,850	14,064
Cash, cash equivalents and restricted cash, beginning of year	3,731,019	4,699,764	2,245,724	316,304
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(60,921)	120,418	6,721	946
Cash, cash equivalents and restricted cash, end of year	4,699,764	2,245,724	2,352,295	331,314

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

	As of December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
Cash and cash equivalents	4,606,545	2,144,020	2,149,531	302,755
Restricted cash	93,219	101,704	202,764	28,559
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	4,699,764	2,245,724	2,352,295	331,314

	For the Year ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
Supplemental disclosure of cash flow information:				
Cash paid for interest	29,819	47,141	38,186	5,378
Cash paid for income tax	145,606	163,525	84,770	11,940
Supplemental disclosures of non-cash investing and financing activities:				
Purchases of property and equipment included in payables	40,591	23,182	21,654	3,050
Consideration payable	220,604	—	—	—
Subscription receivable from a non-controlling shareholder	101,686	—	—	—
Settlement of loan to related parties through offsetting accounts receivable	—	3,220	—	—

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

BAOZUN INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021, 2022 and 2023

(All amounts in thousands, except for share and per share data)

1. Organization and Principal Activities

Baozun Inc. (the “Company”) was incorporated under the laws of Cayman Islands on December 18, 2013. The Company, its subsidiaries and its VIE (collectively referred to as the “Group”) are principally engaged to provide its customers with end-to-end E-commerce solutions including the sales of apparel, home and electronic products, online store design and setup, visual merchandising and marketing, online store operations, customer services, warehousing and order fulfillment.

As of December 31, 2023, the Company’s major subsidiaries and VIE which, in the opinion of the directors of the Company, principally affected the results, assets or liabilities of the Group are as follows:

	<u>Date of Incorporation /Acquisition</u>	<u>Place of Incorporation/Operation and legal status</u>	<u>Issued share capital/Paid in capital</u>	<u>Legal ownership</u>
Subsidiaries:				
Baozun Hong Kong Holding Limited	10-Jan-14	HK	HKD 10,000	100 %
Shanghai Baozun E-commerce Limited (“Shanghai Baozun”)	11-Nov-03	PRC/wholly foreign owned enterprise	RMB1,800,000,000	100 %
Shanghai Bodao E-commerce Limited	30-Mar-10	PRC/limited liability Company	RMB10,000,000	100 %
Shanghai Yingsai Advertisement Limited	30-Mar-10	PRC/limited liability Company	RMB8,648,649	100 %
Baozun Hongkong Limited	11-Sep-13	HK	HKD10,000,000	100 %
Shanghai Fengbo E-commerce Limited	29-Dec-11	PRC/limited liability Company	RMB10,000,000	100 %
Baozun Hongkong Investment Limited	21-July-15	HK	HKD 100,000	100 %
Baotong Inc.	19-Jun-19	Cayman	USD 10,681.32	63 %
Baotong Hong Kong Holding Limited	5-May-16	HK	HKD 10,000	63 %
Baotong E-logistics Technology (Suzhou) Limited	27-Mar-17	PRC/wholly foreign owned enterprise	RMB260,252,000	63 %
Baozun Brand Management Limited	07-Oct-22	HK	RMB 100,000,000	100 %
White Horse Hongkong Holding Limited	08-Nov-22	HK	RMB10,000,000	100 %
Gap (Shanghai) Commercial Co., Ltd.	31-Jan-23	PRC	USD 257,551,995	100 %
VIE:				
Shanghai Zunyi Business Consulting Ltd. (“Shanghai Zunyi”)	31-Dec-10	PRC/variable interest entity	RMB50,000,000	N/A

2. Summary of Significant Principal Accounting Policies

(a) Basis of presentation

The consolidated financial statements are prepared and presented 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 Company, its subsidiaries and the VIE. All transactions and balances among the Company, its subsidiaries and the VIE have been eliminated upon consolidation.

A consolidated subsidiary is an entity in which the Company, directly or indirectly, controls more than one half of the voting power or has the power to: appoint or remove the majority of the members of the board of directors; cast a majority of votes at the meeting of the board of directors; or govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

U.S. GAAP provides guidance on the identification of VIE and financial reporting for entities over which control is achieved through means other than voting interests. The Group evaluates each of its interests in an entity to determine whether or not the investee is a VIE and, if so, whether the Group is the primary beneficiary of such VIE. In determining whether the Group is the primary beneficiary, the Group considers if the Group (1) has power to direct the activities that most significantly affects the economic performance of the VIE, and (2) receives the economic benefits of the VIE that could be significant to the VIE. If deemed the primary beneficiary, the Group consolidates the VIE.

The VIE arrangements

Applicable PRC laws and regulations currently limit foreign ownership of companies that provide internet content distribution services. The Company is deemed a foreign legal person under PRC laws and accordingly subsidiaries owned by the Company are ineligible to engage in provisions of internet content or online services.

Shanghai Zunyi was established by two of the Company's Founding Shareholders in December 2010 and had no operations until July 2014. To provide the Group effective control over Shanghai Zunyi and receive substantially all of the economic benefits of Shanghai Zunyi, Shanghai Baozun entered into a series of contractual arrangements, described below, with Shanghai Zunyi and its individual shareholders.

The agreements that provide the Company effective control over the VIE include:

(i) Proxy Agreement, under which each shareholder of Shanghai Zunyi has executed a power of attorney to grant Shanghai Baozun the power of attorney to act on his behalf on all matters pertaining to Shanghai Zunyi and to exercise all of the rights as a shareholder of the Shanghai Zunyi, including but not limited to convene, attend and vote at shareholders' meetings, designate and appoint directors and senior management members. The proxy agreement has an initial term of 20 years and will be automatically renewed on a yearly basis thereafter unless otherwise notified by Shanghai Baozun. Exclusive Call Option Agreement, under which the shareholders of Shanghai Zunyi granted Shanghai Baozun or its designated representative(s) an irrevocable and exclusive option to purchase their equity interests in Shanghai Zunyi when and to the extent permitted by PRC law. Shanghai Baozun or its designated representative(s) has sole discretion as to when to exercise such options, either in part or in full. Without Shanghai Baozun's written consent, the shareholders of Shanghai Zunyi shall not transfer,

donate, pledge, or otherwise dispose any equity interests of Shanghai Zunyi in any way. The acquisition price for the shares or assets will be the minimum amount of consideration permitted under the PRC law at the time when the option is exercised. The agreement can be early terminated by Shanghai Baozun, but not by Shanghai Zunyi or its shareholders.

The agreements that transfer economic benefits to the Company include:

(i) Exclusive Technology Service Agreement, under which Shanghai Zunyi engages Shanghai Baozun as its exclusive technical and operational consultant and under which Shanghai Baozun agrees to assist in arranging the financial support necessary to conduct Shanghai Zunyi's operational activities. Shanghai Zunyi shall not seek or accept similar services from other providers without the prior written approval of Shanghai Baozun. The agreement has a term of twenty years and will be automatically renewed on a yearly basis after expiration unless otherwise notified by Shanghai Baozun, and shall be terminated if the operation term of either Shanghai Baozun or Shanghai Zunyi expires. Shanghai Baozun may terminate this agreement at any time by giving a prior written notice to Shanghai Zunyi.

(ii) Equity Interest Pledge Agreements, under which the shareholders of Shanghai Zunyi pledged all of their equity interests in Shanghai Zunyi to Shanghai Baozun as security of due performance of the obligations and full payment of consulting and service fees by VIE under the Exclusive Technology Service Agreement and other amounts payable by the individual shareholders to Shanghai Baozun under other agreements. If the shareholders of Shanghai Zunyi or Shanghai Zunyi breach their respective contractual obligations, Shanghai Baozun, as pledgee, will be entitled to certain rights, including the right to dispose the pledged equity interests. Pursuant to the agreement, the shareholders of Shanghai Zunyi shall not transfer, assign or otherwise create any new encumbrance on their respective equity interest in Shanghai Zunyi without prior written consent of Shanghai Baozun. The pledge shall be continuously valid until all the obligations and payments due under the Exclusive Technology Service Agreement and certain other agreements have been fulfilled.

These contractual arrangements allow the Company, through its wholly owned subsidiary, Shanghai Baozun, to effectively control Shanghai Zunyi, and to derive substantially all of the economic benefits from them. Accordingly, the Company treats Shanghai Zunyi as VIE and because the Company is the primary beneficiary of Shanghai Zunyi, the Company has consolidated the financial results of Shanghai Zunyi since July 2014.

Risks in relation to the VIE structure

The Company believes that the contractual arrangements with Shanghai Zunyi governed by PRC laws are valid, binding and enforceable, and do not result in any violation of mandatory requirements of applicable PRC laws or regulations currently in effect based on the legal advice of the Company's PRC legal counsel. However, uncertainties regarding the interpretation and application of PRC laws and rules could limit the Company's ability to enforce these contractual arrangements and the interests of the shareholders of Shanghai Zunyi 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 Shanghai Zunyi not to pay the service fees when required to do so.

The Company's ability to control Shanghai Zunyi also depends on the power of attorney Shanghai Baozun has to vote on all matters requiring shareholder approval. 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 Group may be subject to fines and the PRC government could:

- revoke the Group's business and operating licenses;
- require the Group to discontinue or restrict the Group's operations;
- restrict the Group's right to collect revenues;
- block the Group's websites;
- require the Group to restructure its operations in such a way as to compel the Group to establish a new enterprise, re-apply for the necessary licenses or relocate its 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 its business.

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

[Table of Contents](#)

The following amounts and balances of Shanghai Zunyi and its subsidiary were included in the Group's consolidated financial statement:

	As of	
	December 31,	December 31,
	2022	2023
	RMB	RMB
Cash and cash equivalent	44,076	76,866
Accounts receivable, net	220,229	179,983
Inventories	160	106
Advances to suppliers	2,041	4,079
Amounts due from related parties	3	5
Prepayments and other current assets	1,632	2,923
Property and equipment, net	1,495	1,365
Intangible assets, net	38,126	19,076
Total assets	307,762	284,403
Accounts payable	19,469	3,916
Amounts due to related parties	15,727	3
Income tax payables	959	3,300
Accrued expenses and other current liabilities	81,374	36,844
Total liabilities	117,529	44,063

	For Year Ended		
	December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Net revenues	748,214	572,360	548,439
Net income	575,519	433,204	431,026
Net cash provided by operating activities	750,309	183,899	530,391
Net cash used in investing activities	(10,246)	(4,053)	(2,504)

The VIE contributed 8.62% 6.81% and 6.22% of the consolidated net revenues for the years ended December 31, 2021, 2022 and 2023, respectively. As of December 31, 2022 and 2023, the VIE accounted for 3.04% and 2.72% of the consolidated total assets, and 2.63% and 0.95% of the consolidated total liabilities, respectively.

There are no assets of the VIE that are collateral for the obligations of the VIE and can only be used to settle the obligations of the VIE. There are no terms in any arrangements, considering both explicit arrangements and implicit variable interests that require the Company or its subsidiaries to provide financial support to the VIE.

However, if the VIE ever needs financial support, the Company or its subsidiaries may, at its option and subject to statutory limits and restrictions, provide financial support to its VIE through loans to the shareholders of the VIE or entrustment loans to the VIE. Relevant PRC laws and regulations restrict the VIE from transferring a portion of their net assets, equivalent to the balance of its paid-in capital, additional paid-in capital and statutory reserve, to the Company in the form of loans and advances or cash dividends.

(c) Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related disclosures of contingent liabilities at the balance sheet date, and the reported revenues and expenses during the reported period in the consolidated financial statements and accompanying notes. Significant accounting estimates are used for inventory write-down, assumptions used in purchase price allocation arising from business combination and impairment of goodwill.

(d) Fair value

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.

The Group’s short-term financial instruments include cash and cash equivalents, restricted cash, short-term investments, receivables, payables, other current assets, amounts due from related parties, other current liabilities, amounts due to related parties and short-term loan. The carrying amounts of these short-term financial instruments approximate their fair values due to the short-term maturity of these instruments.

The following table presents our assets that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

As of December 31, 2022 Description	Fair Value Measurements at Reporting Date Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities with readily determinable fair value	112,115	—	—
Derivative liabilities	—	—	364,758

As of December 31, 2023 Description	Fair Value Measurements at Reporting Date Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities with readily determinable fair value	44,260	—	—

Equity securities with readily determinable fair value are valued using a market approach based on the quoted market prices or broker/dealer quotes of identical or comparable instruments.

Level 3 fair value of derivative liability is determined based on the pre-money valuation adjustment computed in accordance with the shareholder agreement (see Note 16). The determination of fair value required significant judgement by management with respect to the achievement of target net profit of Baotong Inc. in 2022.

[Table of Contents](#)

Certain assets are measured at a non-recurring basis. The following table presents the asset classification, the fair value and the non-recurring losses recognized for the years ended December 31, 2022 and 2023 due to impairment of the related assets.

As of December 31, 2022 Description	Fair Value Measurements at Reporting Date Using		
	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Loss for the Year
Equity securities without readily determinable fair values	87,750	—	8,400
Goodwill	—	336,326	13,155

As of December 31, 2023 Description	Fair Value Measurements at Reporting Date Using	
	Significant Unobservable Inputs (Level 3)	Total Loss for the Year
Goodwill	312,464	35,212

The Company performed fair value adjustment to an equity security without readily determinable fair values resulting from observable price changes in orderly transactions for identical instruments in the year ended December 31, 2022.

Goodwill was valued using the income approach based on discounted cash flows of the reporting units that goodwill was assigned to. The fair value measurement incorporates certain assumptions including projected revenue, growth rates and projected operating profits based on current economic condition, expectation of management and projected trends of current operating results which are significant unobservable inputs.

(e) Concentration and risks

Concentration of customers and suppliers

The following customer accounted for 10% or more of net revenues for the years ended December 31, 2021, 2022 and 2023:

	For Year Ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
A	989,904	1,094,564	976,028

The following customer accounted for 10% or more of balances of accounts receivable as of December 31, 2022 and 2023:

	As of December 31,	
	2022	2023
	RMB	RMB
A	477,915	406,578

The following supplier accounted for 10% or more of purchases for the years ended December 31, 2021, 2022 and 2023:

	For Year Ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
B	1,487,017	1,007,377	761,488

Concentration of credit risk

Financial instruments that potentially subject the Group to significant concentrations of credit risk primarily consist of cash and cash equivalents, restricted cash, accounts receivable, short-term investments, amounts due from related parties. As of December 31, 2022 and 2023, all of the Group's cash and cash equivalents, restricted cash, short-term investments were held by major financial institutions located in the PRC, Hong Kong, Japan and Taiwan which management believes are of high credit quality. Accounts receivable and amounts due from related parties are typically unsecured and are derived from revenues earned from customers in the PRC. The risk with respect to accounts receivable is mitigated by credit evaluations the Group performs on its customers and its ongoing monitoring process of outstanding balances.

Foreign Currency Risk

Renminbi (“RMB”) is not a freely convertible currency. The State Administration of Foreign Exchange, under the authority of the People’s Bank of China, controls the conversion of RMB into foreign currencies. The value of 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 had aggregated amounts of RMB1,898,378 and RMB2,295,006 of cash and cash equivalents, restricted cash and short-term investments denominated in RMB as of December 31, 2022 and 2023, respectively.

(f) Foreign currency translation

The Group’s reporting currency is RMB. The functional currency of the Company is the United States dollar (“US\$”). The functional currency of the Group’s entities incorporated in Hong Kong is Hong Kong dollars (“HK\$”). The functional currency of the Group’s subsidiaries in PRC is RMB.

Monetary assets and liabilities denominated in currencies other than the applicable functional currencies are translated into the functional currencies at the prevailing rates of exchange at the balance sheet date. Nonmonetary assets and liabilities are remeasured into the applicable functional currencies at historical exchange rates. Transactions in currencies other than the applicable functional currencies during the year are converted into the functional currencies at the applicable rates of exchange prevailing at the transaction dates. Transaction gains and losses are recognized in the consolidated statements of operations.

Assets and liabilities are translated from each entity’s functional currency to the reporting currency at the exchange rate on the balance sheet date. Equity amounts are translated at historical exchange rates, and revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments are reported as foreign currency translation adjustment and are shown as a separate component of other comprehensive income (loss) in the consolidated statements of changes in shareholders’ equity and consolidated statements of comprehensive income.

(g) Convenience translation

The Group’s business is primarily conducted in PRC and almost all of its revenues are denominated in RMB. However, periodic reports made to shareholders will include current period amounts translated into USD using the then current exchange rates, for the convenience of the readers. Translations of balances in the consolidated balance sheets, and consolidated statements of operations, comprehensive loss and cash flows from RMB into USD as of and for the year ended December 31, 2023 are solely for the convenience of the readers outside PRC and were calculated at the rate of US\$1.00=RMB7.0999 representing the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on December 29, 2023. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into USD at that rate on December 29, 2023, or at any other rate.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and highly liquid investments with an original maturity of less than three months.

(i) Restricted cash

Restricted cash primarily consists of (i) minimum cash deposits or cash collateral deposits required to be maintained with certain banks under the Group’s borrowing arrangements or in relation to bank guarantees issued on behalf of the Group (ii) deposit required by its business partners and (iii) security for issuance of commercial acceptance notes mainly relating to purchase of inventories. In the event that the obligation to maintain such deposits is expected to be terminated within the next twelve months, these deposits are classified as current assets. Otherwise, they are classified as non-current assets. All restricted cash is held by major financial institutions in segregated accounts.

(j) Short-term investments

Short-term investments primarily comprise of time deposits with maturities between three months and one year. The Group pledged RMB180,000 of the short-term investments for the years ended December 31, 2023.

(k) Accounts receivable, net

Accounts receivable represents amounts due from customers and are recorded net of allowance for credit losses. The Group has developed a current expected credit loss model based on historical experience, the age of the accounts receivable balances, credit quality of its customers, current economic conditions, forecasts of future economic conditions, and other factors that may affect its ability to collect from customers.

(l) Inventories

Inventories consisting of products available for sale, are valued at the lower of cost or market. Cost of inventories is determined using the weighted average cost method. Valuation of inventories is based on currently available information about expected recoverable value. The estimate is dependent upon factors such as historical trends of similar merchandise, inventory aging, historical and forecasted consumer demand and promotional environment.

(m) Investments

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

Equity investments with readily determinable fair value and over which the Group does not have significant influence are initially and subsequently recorded at fair value, with changes in fair value reported in earnings.

Equity securities without readily determinable fair values and over which the Group does not have significant influence are measured and recorded using a measurement alternative that measures the securities at cost minus impairment, if any, and plus or minus changes resulting from qualifying observable price changes.

(n) Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation and impairment. Property and equipment are depreciated at rates sufficient to write off their costs less impairment and residual value, if any, over the estimated useful lives on a straight-line basis. The estimated useful lives and residual rates are as follows:

Classification	Useful years	Residual rate
Electronic devices	3 years	0% - 5%
Vehicle	5 years	5%
Furniture and office equipment	5 years	5%
Machinery	10 years	5%
Buildings	44 years	5%
Leasehold improvement	Over the shorter of the expected life of leasehold improvements or the lease term	0%

Repairs and maintenance costs are charged to expenses as incurred, whereas the cost of renewals and betterment that extends the useful lives of property and equipment are capitalized as additions to the related assets. Gains and losses from the disposal of property and equipment are included in the consolidated statements of operations.

(o) Intangible assets, net

Intangible assets and the related useful lives are as follows:

Item	Useful years
Internally developed software	3 years
Trademark	10 years
Supplier relationship	10 years
Customer relationship	From 2 years to 10 years
Brand	5 years
Franchising	8 years
Technology	From 3 years to 5 years

Intangible assets are recorded at the cost to acquire these assets less accumulated amortization. Amortization of intangible assets is computed using the straight-line method over their estimated useful lives.

For internally developed software, the Group expenses all internal-use software costs incurred in the preliminary project stage and capitalized direct costs associated with the development of internal-use software. The internally developed software consisted mainly of order management, customer management and retailing solution systems.

Trademark, supplier relationship, customer relationship, brand, franchising and technology are acquired from the Group's business combinations.

(p) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed from the acquired entity as a result of the Company's acquisition of interests in a subsidiary. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired.

Goodwill is not depreciated or amortized but is tested for impairment on an annual basis as of December 31, and in between annual tests when an event occurs or circumstances change that could indicate that the asset might be impaired. In accordance with ASU 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment ("ASU 2017-04") issued by the Financial Accounting Standards Board ("FASB") guidance on testing of goodwill for impairment, the Group first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If as a result of its qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is mandatory. Otherwise, no further testing is required. The quantitative impairment test consists of a comparison of the fair value of each reporting unit with its carrying amount, including goodwill. If the carrying amount of each reporting unit exceeds its fair value, an impairment loss equal to the difference between the fair value of the reporting unit and its carrying amount will be recorded.

(q) Impairment of long-lived assets

The Group evaluates the recoverability of long-lived assets with determinable useful lives whenever events or changes in circumstances indicate that an 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 and assumptions including future cash flows over the life of the asset being evaluated and discount rate. These assumptions require significant judgment and may differ from actual results. No impairment was recognized for any of the years ended December 31, 2021, 2022 and 2023.

(r) Revenue

The Group provides brand e-commerce solutions to its brand partners. And its revenues are derived principally from product sales and provision of services.

Product Sales

The Group generates product sales revenues primarily through selling products purchased from brand partners and/or their authorized distributors to customers under the distribution model. Under this model, the Group identifies one performance obligation which is to sell goods directly to the customers through online stores it operates. Revenue under the distribution model is recognized on a gross basis and presented as product sales on the consolidated statements of operations, because (i) the Group rather than the brand partner, is primarily responsible for fulfilling the promise to provide the specified good; (ii) the Group bears the physical and general inventory risk once the products are delivered to its warehouse; and (iii) the Group has discretion in establishing price.

Upon acquisition of Gap in February 2023, product sales revenue also includes selling products of own brands through both offline stores and online stores.

Product sales, net of discounts, return allowances, value added tax and related surcharges are recognized 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 customers. Return allowances, which reduce revenue, are estimated utilizing the most likely amount method based on historical data the Group has maintained and its analysis of returns by categories of products.

The majority of the Group's customers make online payments through third-party payment platforms when they place orders on websites of the Group's online stores. The funds will not be released to the Group by these third-party payment platforms until the customers accept the delivery of the products at which point the Group recognizes sales of products. A portion of the Group's customers pay upon the receipt of products. The Group's delivery service providers collect the payments from its customers for the Group. The Group records a receivable on the balance sheet with respect to cash held by third-party couriers.

Services

The Group acts as a service provider, under the consignment or service fee model, to facilitate its brand partners' online sales of their branded products with the performance obligations to provide a variety of e-commerce services, which may include any combination of IT solutions, online store operation, digital marketing, customer service and warehousing and fulfillment services. Each type of the services provided is considered as one performance obligation as they are distinct from other services. Most of the Group's service contracts include multiple performance obligations. The Group charges its brand partners a combination of fixed fees and/or variable fees based on the value of merchandise sold, number of orders fulfilled or other variable factors. The transaction price is allocated to each performance obligation using the relative stand-alone selling price. The Group generally determines the stand-alone selling price based on the prices charged to comparable customers or expected cost plus margin.

Revenue generated from IT solutions such as one-time online store design and setup services is recognized when the services are rendered while revenue generated from other types of services are recognized over the service term. The Group applies the practical expedient to recognize revenue from the services, except for one-time online store design and setup services, in the amount which the Group has a right to invoice on a monthly basis with a credit period of one month to four months.

The Group acts as the principal in its service provision but not in product sales of its brand partners, and therefore, only recognizes service fees as revenue in the consolidated statements of operations. All the costs that the Group incurs in the provision of services are classified as operating expenses on the consolidated statements of operations.

Contract balances

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

The Group sometimes receives advance payments from consumers before the service is rendered, which is recorded as advance from customers included in the accrued expenses and other current liabilities on the consolidated balance sheet.

Practical Expedients and Exemptions

The Group elects not to disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less (ii) contracts for which the Group recognizes revenue at the amount it has the right to invoice for services performed and (iii) contracts with variable consideration related to wholly unsatisfied performance obligations.

(s) Cost of products

Cost of product consists of the purchase price of products and inbound shipping charges, as well as inventory write-downs. Shipping charges to receive products from the suppliers are included in the inventories, and recognized as cost of products upon sale of the products to the customers. Cost of products does not include other direct costs related to product sales such as shipping and handling expense, payroll and benefits of logistic staff, logistic centers rental expenses and depreciation expenses, etc. Therefore, the Group's cost of products may not be comparable to other companies which include such expenses in their cost of products.

(t) Rebates

Rebates are provided by brand partners under the distribution model and determined based on the product purchase volume on a monthly, quarterly or annual basis. The Group accounts for the volume rebates as a reduction to the price it pays for the products subject to the rebate determination. Volume rebates are estimated based on the Group's past experience and current forecasts and recognized as the Group makes progress towards the purchase threshold. Rebates are also provided as negotiated between the Group and its brand partners, which is recorded as reductions of cost of products in the consolidated statements of operations when the amounts are agreed by both parties.

(u) Fulfillment

Fulfillment costs represent shipping and handling expenses, payment processing and related transaction costs, rental expenses of leased warehouses, packaging material costs and costs incurred in outbound shipping, and operating and staffing the Group's fulfillment and customer service center, including costs attributable to buying, receiving, inspecting and warehousing inventories and picking, packaging and preparing customer orders for shipment.

(v) Sales and marketing

Sales and marketing expenses consist of payroll, bonus and benefits of sales and marketing staff, advertising costs, agency fees and costs for promotional materials. Advertising costs are expensed as incurred.

Advertising and promotion costs are primarily related to the provision of marketing and promotion services to brand clients and consist of fees the Group pays to third party vendors for advertising and promotion on various online and offline channels. Such costs were included as sales and marketing in the consolidated statements of operations and totaled RMB 1,359,991, RMB1,324,908 and RMB 1,249,110 for the years ended December 31, 2021, 2022 and 2023, respectively.

(w) Technology and content

Technology and content expenses consist primarily of technology infrastructure expenses, payroll and related expenses for employees in technology and system department, editorial content costs, as well as costs associated with computers, storage and telecommunication infrastructure for internal use.

(x) General and administrative

General and administrative expenses consist of payroll related expenses for corporate employees, professional service fees, brand management costs, allowance for credit losses and other corporate overhead costs.

(y) Other operating income (expense), net

Other operating income mainly consists of government subsidies.

Government subsidies consist of cash subsidies received by the Company's subsidiaries in the PRC from local governments. Subsidies received as incentives for conducting business in certain local districts with no performance obligation or other restriction as to the use are recognized when cash is received. Cash subsidies of RMB 41,256, RMB 72,883 and RMB92,895 were included in other operating income (expenses), net for the years ended December 31, 2021, 2022 and 2023, respectively. Subsidies received with performance obligations are recognized when all the obligations have been fulfilled.

(z) Share-based compensation

The Company grants share options and restricted share units to eligible employees, management and directors and accounts for these share-based awards in accordance with ASC 718 *Compensation-Stock Compensation*.

Employees' share-based awards are measured at the grant date fair value of the awards and recognized as expenses (a) immediately at grant date if no vesting conditions are required; or (b) over the requisite service period, net of estimated forfeitures.

All transactions in which goods or services are received in exchange for equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

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

Forfeitures are estimated at the time of grant and revised in the subsequent periods if actual forfeitures differ from those estimates.

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

(aa) Income tax

Current income taxes are provided for in accordance with the laws of the relevant taxing authorities. The Group accounts for current income taxes on the basis of net income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the relevant tax jurisdictions.

The Group accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the temporary differences between the financial statements carrying amounts and tax bases of existing assets and liabilities by applying enacted statutory tax rates that will be in effect in the period in which the temporary differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, based upon the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized in the consolidated statements of operations in the period of change.

The impact of an uncertain income tax position on the income tax return is 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.

(ab) Operating leases as lessee

Under the lease accounting standard, the Company determines if an arrangement is a lease or contains a lease at lease inception. For operating leases, the Company recognizes a right-of-use asset and a lease liability based on the present value of the lease payments over the lease term on the consolidated balance sheets at commencement date. The Company estimates its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. Lease expense is recorded on a straight-line basis over the lease term.

The Company elected the practical expedient not to separate lease and non-lease components of contracts and the short-term lease exemption for all contracts with lease terms of 12 months or less.

The land use right acquired in 2017 represents lease prepayments to the local government authorities which is separately presented in the consolidated balance sheets. The Company determines its land use right agreement contains an operating lease Land use right is carried at cost less accumulated amortization and impairment losses.

Amortization has been provided on a straight-line basis over 44 years, the life of the land use right. The amortization expenses of the land use right were RMB1,026 for the years ended December 31, 2021, 2022, and 2023, respectively. As of December 31, 2023 the land use right has a remaining useful life of 38 years.

(ac) Comprehensive income

Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. For the periods presented, the Group's comprehensive income includes net income and foreign currency translation adjustments and is presented in the consolidated statements of comprehensive income.

(ad) Earnings (Loss) per share

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

Diluted earnings per ordinary share reflects the potential dilution that could occur if securities or other contracts to issue ordinary shares were exercised or converted into ordinary shares, which consist of the ordinary shares issuable upon the conversion of the convertible senior notes (using the if-converted method) and ordinary shares issuable upon the exercise of stock options and vest of restricted share units (using the treasury stock method).

The loaned shares under the ADS lending agreement are excluded from both the basic and diluted earnings per share calculation unless default of the ADS lending arrangement occurs, which the Group considers improbable.

(ae) Redeemable non-controlling interests

Redeemable non-controlling interests ("RNCI") represent interests of certain third parties that are not mandatorily redeemable but redeemable for cash at a fixed or determinable price or a fixed or determinable date, at the option of the holder or upon the occurrence of an event that is not solely within the control of the Company. These interests are classified in the "redeemable non-controlling interest" section of the consolidated balance sheet, outside of shareholders' equity. RNCI are initially recorded at the acquisition date fair value and subsequently are recorded at the higher of (1) the cumulative amount that would result from applying the measurement guidance in ASC 810-10 (i.e., initial carrying amount, increased or decreased for the noncontrolling interest's share of net income or loss, OCI or other comprehensive loss, and dividends) or (2) the redemption price. When it is probable that the noncontrolling interests that are not currently redeemable will become redeemable, the Group recognizes changes in the redemption price immediately as they occur.

(af) Business combinations

U.S. GAAP requires that all business combinations to be accounted for under the acquisition method. Following the acquisition method, the cost of an acquisition is measured as the aggregate of the fair value at the date of exchange of the assets given, liabilities incurred, and equity instruments issued. 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 the consolidated statements of operations and comprehensive loss.

The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgments. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. Management determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of assets and forecasted life cycle and forecasted cash flows over that period. Although the Group believes that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

(ag) Treasury Stock

Treasury shares represent ordinary shares repurchased by the Company that are no longer outstanding and are held by the Company. The repurchase of ordinary shares is accounted for under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. When the treasury stock is retired, an excess of repurchase price over par is allocated between additional paid-in capital and retained earnings.

(ah) Segment information

Prior to January 31, 2023, the Group operates its business in a single segment. With the acquisition of GAP Shanghai, the Group reorganized its business into two segments: E-Commerce segment and Brand Management segment. The segment information is set out in Note 24.

(ai) Recently issued accounting pronouncements

In December, 2022, the FASB issued ASU 2022-06 to defer the sunset date of ASC 848 until December 31, 2024. The Update extends the period of time preparers can utilize the reference rate reform relief guidance. The ASU became effective upon issuance. In December 2022, we adopted the updated standard and the adoption of this standard did not have a material impact on our financial statements and related disclosures.

In December 2021, the Organization for Economic Cooperation and Development (“OECD”), which is an international public policy setting organization comprised of member countries including the U.S., published a proposal for the establishment of a global minimum tax rate of 15% (the “Pillar Two rule”). The OECD has recommended that the Pillar Two rule become effective for fiscal years beginning after January 1, 2024, member countries are in various stages of implementation and the OECD continues to refine technical guidance. We are closely monitoring developments of the Pillar Two rule and are currently evaluating the potential impact in each of the countries we operate in.

3. Revenue

For the years ended December 31, 2021, 2022 and 2023, substantially all of the Group's revenues were generated in the PRC. The disaggregated revenues by types and the timing of transfer of goods or services were as follows:

Disaggregation of revenues

	For Year Ended December 31,		
	2021 RMB	2022 RMB	2023 RMB
Product sales recognized at point of time	3,873,589	2,644,214	3,357,202
Service			
- revenues recognized over time	5,479,799	5,675,173	5,344,173
-revenues recognized at point of time	42,868	81,244	110,638
Total revenue	<u>9,396,256</u>	<u>8,400,631</u>	<u>8,812,013</u>

Contract Liability

The movement of the advances from customers for the years ended December 31, 2021 and 2022 were as follows:

	Advances from Customers
Opening Balance as of January 1, 2022	63,677
Net increase	57,181
Ending Balance as of December 31, 2022	120,858
Net increase	42,379
Ending Balance as of December 31, 2023	163,237

Revenues amounted to RMB 63,677 and RMB 120,858 were recognized in the years ended December 31, 2022 and 2023 respectively, that were included in the balance of advance from customers at the beginning of the respective year.

4. Accounts receivable, net

Accounts receivable, net, consists of the following:

	As of December 31,	
	2022	2023
	RMB	RMB
Accounts receivable	2,413,173	2,309,466
Allowance for credit losses:		
Balance at beginning of the year	(118,724)	(120,495)
Additions	(1,494)	(2,187)
Exchange loss	(7,921)	(3,017)
Write-offs	7,644	962
Balance at end of the year	(120,495)	(124,737)
Accounts receivable, net	<u>2,292,678</u>	<u>2,184,729</u>

5. Inventories

Inventories consist of the following:

	As of December 31,	
	2022	2023
	RMB	RMB
Products	942,926	1,042,131
Packing materials and others	71	2,985
Inventories	<u>942,997</u>	<u>1,045,116</u>

Inventories write-downs of RMB 89,516, RMB 161,596 and RMB 152,904 were recorded in cost of products in the consolidated statements of operations for the years ended December 31, 2021, 2022 and 2023, respectively.

6. Prepayments and other current assets

Prepayments and other current assets consist of the following:

	As of December 31,	
	2022	2023
	RMB	RMB
Rebate receivable from suppliers	239,816	197,775
Value-added tax (“VAT”) recoverable	125,644	133,727
Prepaid expenses	84,268	100,970
Deposits ⁽¹⁾	62,889	54,248
Interest receivables	11,352	58,756
Employee advances ⁽²⁾	8,428	5,645
Others	22,018	39,229
Prepayment and other current assets	554,415	590,350

(1) Deposits represent rental deposits and deposits paid to third-party platforms.

(2) Employee advances represent cash advanced to online store managers for store daily operation, such as online store promotion activities.

7. Property and equipment, net

Property and equipment, net, consists of the following:

	As of December 31,	
	2022	2023
	RMB	RMB
Electronic devices	235,628	286,369
Vehicle	5,241	6,008
Furniture and office equipment	151,498	202,682
Leasehold improvement	565,497	470,645
Machinery	61,889	122,371
Buildings	201,129	405,520
Total	1,220,882	1,493,595
Accumulated depreciation and amortization	(526,436)	(642,444)
Property and equipment, net	694,446	851,151

Depreciation and amortization expenses were RMB 135,497, RMB121,693 and RMB 166,803 for the years ended December 31, 2021, 2022 and 2023, respectively.

8. Intangible assets, net

Intangible assets, net, consist of the following:

	As of December 31,	
	2022	2023
	RMB	RMB
Internally developed software	401,236	466,431
Trademark	1,074	1,074
Supplier relationship	15,620	15,620
Customer relationship	146,701	146,701
Brand	12,100	26,400
Technology	19,500	19,500
Accumulated amortization	(285,507)	(369,306)
Intangible assets, net	<u>310,724</u>	<u>306,420</u>

Amortization expenses for intangible assets were RMB70,414, RMB73,824 and RMB83,799 for the years ended December 31, 2021, 2022 and 2023, respectively. Estimated amortization expenses of the existing intangible assets for the next five years are RMB71,410, RMB54,968, RMB 20,143, RMB 18,084 and RMB 17,299, respectively.

9. Business acquisition

(a) Acquisition of Gap (Shanghai) Commercial Co., Ltd. (“Gap SH”)

Gap SH was wholly owned by Gap Inc. (“Gap”), America’s largest specialty apparel company, offering apparel, accessories, and personal care products for women, men, and children. Gap opened its first China store in 2010. In February 2023, the Group acquired 100% equity interest of GAP SH for a total cash consideration of RMB176,385.

The transaction was considered a business acquisition and therefore was recorded using the acquisition method of accounting. The allocation of the purchase price based on the fair values of the acquired assets and liabilities as of the date of acquisition is summarized as follows:

	Amounts
	RMB’000
Total cash consideration	176,385
Total assets	960,230
Total liabilities	(780,377)
Total net assets	179,853
Gain on acquisition of a subsidiary	<u>(3,468)</u>

(b) Acquisition of Shanghai Mansen Brand Management Co., Ltd (“Mansen”)

Mansen is committed to creating a beauty and health brand that conforms to the health and ecological management of Chinese consumers. In April 2023, the Group acquired 51% equity interest of Mansen for a total cash consideration of RMB32,640 and recognized a goodwill of RMB10,588.

(c) Acquisition of Hangzhou Baichen Technology Co., Ltd (“Baichen”)

Baichen is committed to provision of professional comprehensive service specializing in digital marketing for renowned brands across the country. In October 2023, the Group increased its equity interest of Baichen to 51% for a total cash consideration of RMB3,112 and recognized a goodwill of RMB762.

The transaction costs related to the above acquisitions were immaterial. The financial results of the acquired businesses, which are not material, have been included in the Company's consolidated financial statements for the period subsequent to their acquisitions. Pro forma information is not presented for the acquisitions as the impact to the consolidated financial statements is not material.

Goodwill was recognized as a result of expected synergies from combining operations of the Group and acquired business and other intangible assets that don't qualify for separate recognition. Goodwill is not amortized and is not deductible for tax purposes.

10. Long term investments

Long term investments, consisted the followings:

	As of December 31,	
	2022	2023
	RMB	RMB
Equity method investees	69,828	144,464
Equity securities measured at fair value	112,115	44,260
Equity securities without readily determinable fair values	87,750	170,405
	<u>269,693</u>	<u>359,129</u>

(a) Investments accounted for under the equity method

	As of December 31,	
	2022	2023
	RMB	RMB
Beijing Pengtai Baozun E-commerce Co., Ltd. ⁽¹⁾	45,451	54,934
Hangzhou Juxi Technology Co., Ltd. ⁽²⁾	14,077	13,941
Hunter Gcsea Limited. ⁽³⁾	—	74,657
Others	10,300	932
	<u>69,828</u>	<u>144,464</u>

- (1) In January 2018, the Group invested RMB13,328 to establish an E-commerce joint venture with Beijing Pengtai Interactive Advertising Co., Ltd. ("Beijing Pengtai") through a joint venture agreement. Baozun holds 49% equity interest and Beijing Pengtai holds 51% equity interest. Share of income in equity method investment of RMB8,145, RMB8,412 and RMB9,483 was recognized for the years ended December 31, 2021, 2022 and 2023, respectively.
- (2) In June 2019, the Group entered into an agreement with Hangzhou Juxi Technology Co., Ltd. ("Juxi") to acquire 10% equity interest with a total consideration of RMB15,000. As the Group has significant influence over Juxi, it is accounted for under the equity method of accounting. Share of income of RMB60 and loss of RMB414 and loss of RMB136 in equity method investment was recognized for the years ended December 31, 2021, 2022 and 2023, respectively.
- (3) In October 2023, the Group entered into an agreement with ABG HUNTER LLC ("ABG") to form a joint venture company which is Hunter Gcsea Limited to expand ABG's portfolio of brands' business. Baozun holds 51% equity interest and ABG holds 49% equity interest. As the Group only has significant influence over Hunter Gcsea Limited, all major operational decisions required written consent from the other shareholder, it is accounted for under the equity method of accounting.

(b) Investments in equity securities measured at fair value

In January 2021, Baozun entered into a share purchase agreement with iClick, an independent online marketing and enterprise data solutions provider in China, and purchased 649,349 newly issued Class B ordinary shares (“Issued Class B Shares”) of iClick at an aggregate subscription price of approximately US\$17.2 million. Holders of Class B ordinary shares of iClick are entitled to 20 votes per share. Pursuant to the share purchase agreement with an existing shareholder of iClick, Baozun purchased 2,471,468 American Depositary Shares (“ADSs”) at an aggregate purchase price of approximately US\$32.8 million. Two ADSs represent one Class A ordinary share of iClick. Holders of Class A ordinary shares of iClick are entitled to one vote per share. After the closing of the above transactions, Baozun acquired and beneficially owns approximately 4% of iClick’s total outstanding shares, representing approximately 10% total voting equity of iClick. Since the Company cannot exercise significant influence on the investee, the investment is recorded as equity securities measured at fair value. As of December 31, 2022 and 2023, the ending balance was RMB10,020 and RMB10,261, respectively. An unrealized investment loss of RMB209,956, RMB102,035 and gain of RMB65 was recognized for the years ended December 31, 2021, 2022 and 2023, respectively.

In June 2021, the Group acquired 4,908,939 Class B preferred shares of Fosun Fashion Group (Cayman) Limited (“Fosun”), a private company, which represents 1.57% voting interests, at an aggregate subscription price of RMB76,716. Since the investment was not in-substance common stock, the investment was recorded as equity securities without determinable fair value as of December 31, 2021. Fosun was renamed as Lanvin Group (“Lanvin”) in October 2021. In December 2022, the Group further acquired 300,000 ordinary shares of Lanvin with a consideration of RMB 21,170. On December 15, 2022, Lanvin got listed on New York stock Exchange and the 4,908,939 Class B preferred shares was converted into 1,321,790 ordinary shares. As of December 31, 2022 and 2023, the ending balance was RMB102,095 and RMB33,999, respectively. The investment was measured at fair value and an unrealized investment gain of RMB4,208 and loss of RMB68,096 was recognized for the year ended December 31, 2022 and 2023, respectively.

(c) Investments in equity securities without readily determinable fair values

Investments in equity securities without readily determinable fair value were RMB87,750 and RMB170,405 for the years ended December 31, 2022 and 2023, respectively. The carrying amount of the investments as of December 31, 2023 is composed by investments in five private companies. Since the investments are not in-substance common stock which are accounted for as investments in equity securities without readily determinable fair value.

The Group is required to perform an impairment assessment of its investment whenever events or changes in business circumstances indicate that the carrying value of the investment may not be fully recoverable. The Group recognized impairment losses of RMB3,541, RMB8,400, and RMB nil for the years ended December 31, 2021, 2022 and 2023, respectively.

11. Goodwill impairment

The changes in the carrying amount of goodwill of E-Commerce segment for the years ended December 31, 2022 and 2023 were as follows:

	<u>E-Commerce Segment</u> <u>RMB</u>
Balance at January 1, 2022	
Goodwill	397,904
Accumulated impairment loss	—
	<u>397,904</u>
Goodwill disposed during the year	(48,423)
Balance at December 31, 2022	
Goodwill	349,481
Accumulated impairment loss	(13,155)
	<u>336,326</u>
Goodwill acquired during the year	11,350
Balance at December 31, 2023	
Goodwill	360,831
Accumulated impairment loss	(48,367)
	<u><u>312,464</u></u>

There was no goodwill assigned to Brand Management segment. The Group determined that there were five reporting units as of December 31, 2023, BolTone, Morefun, eFashion, Mansen and Baozun within E-Commerce segment (see Note 24 “Segment Information”) with goodwill balances of RMB75,761, RMB59,090, RMB135,515, RMB10,588 and RMB79,877, respectively. The Group performed qualitative assessment for all the reporting units and concluded only for BolTone and Baozun reporting unit, it was more likely than not the fair value was less than the carrying value and therefore performed quantitative impairment test on the goodwill of BolTone and Baozun reporting unit using discounted cash flow method based on the forecast for future operations.

Due to the sensitivity of BZ and BLT’s operations to changes in the economy, the Group recognized impairment loss of nil, RMB13,155 and RMB35,212 for the years ended December 31, 2021, 2022 and 2023, respectively.

12. Short-term loans

The short-term loans as of December 31, 2022 and 2023 were as follows:

	As of December 31,	
	2022	2023
	RMB	RMB
<i>Short-term loans</i>		
Short-term bank borrowings	1,016,071	1,115,721

Short-term bank borrowings

The Group entered into one-year credit facilities with several Chinese commercial banks that provide revolving line of credit for the Group. Under such credit facilities, the Group can borrow up to RMB3,329,012 and RMB3,715,846 for the years ended December 31, 2022 and 2023, respectively, which can only be used to maintain daily operation.

As of December 31, 2022, the Group had drawn short-term bank borrowings from the credit facilities in the amount of RMB1,016,071. Credit facilities in the amounts of RMB8,664 and RMB400,873 were used to issue the letters of guarantee with an aggregate amount of RMB17,342 and notes payable with an aggregate amount of RMB487,837, respectively. As such, RMB1,903,404 of the credit facilities was available for future borrowing at the end of 2022. The credit facilities expired during 2023.

As of December 31, 2023, the Group had drawn short-term bank borrowings from the credit facilities in the amount of RMB1,115,721. Credit facilities in the amounts of RMB107,196 and RMB183,245 were used to issue the letters of guarantee with an aggregate amount of RMB127,773 and notes payable with an aggregate amount of RMB506,629, respectively. As such, RMB2,309,684 of the credit facilities was available for future borrowing at the end of 2023. The credit facilities will expire during 2024.

13. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following:

	As of December 31,	
	2022	2023
	RMB	RMB
Logistics expenses accruals	303,880	267,040
Advances from customers	120,858	163,237
Outsourced labor cost payable	74,698	111,318
Salary and welfare payable	223,843	196,018
Professional fee accruals	24,786	23,408
Marketing expenses accruals	177,084	217,995
Other tax payable	10,567	27,358
Sales return accrual	1,497	20,869
Consideration payable	75,453	75,244
Others	12,874	85,692
Accrued expenses and other current liabilities	<u>1,025,540</u>	<u>1,188,179</u>

14. Income tax

Under the current laws of the Cayman Islands, the Company incorporated in the Cayman Islands is not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

Under the Hong Kong Inland Revenue Ordinance, for the Company's subsidiaries incorporated in Hong Kong, the profits tax rate for the first HK \$2 million of profits is 8.25%, while profits above that amount is subject to the tax rate of 16.5%.

Under the Law of the People's Republic of China on Enterprise Income Tax ("EIT Law"), the Group's subsidiaries and VIE domiciled in the PRC are subject to 25% statutory rate. According to National Tax Letter 2009 No. 203, if an entity is certified as a "High and New Technology Enterprise" ("HNTE"), it is entitled to a preferential income tax rate of 15%. Five subsidiaries of the Group obtained the HNTE certificate starting from 2018 and renewed the certification subsequently, thus applied 15% tax rate with a valid term of three years from the year of entitlement or renewal.

The current and deferred portion of income tax expenses included in the consolidated statements of operations, which were substantially attributable to the Group's PRC subsidiaries are as follows:

	For Year Ended December 31,		
	2021 RMB	2022 RMB	2023 RMB
Current tax	118,914	82,595	57,594
Deferred tax	(63,655)	(56,115)	(45,591)
Income tax expense	<u>55,259</u>	<u>26,480</u>	<u>12,003</u>

Reconciliation of the differences between the PRC statutory income tax rate and the Group's effective income tax rate for the years ended December 31, 2021, 2022 and 2023 are as follows:

	For Year Ended December 31,		
	2021 RMB	2022 RMB	2023 RMB
Statutory income tax rate	25.00 %	25.00 %	25.00 %
Non-deductible share-based compensation	(31.91)%	(6.13)%	(11.92)%
Effect of tax rates in different tax jurisdiction	(37.48)%	(23.20)%	(4.79)%
Effect of preferential tax rate	4.22 %	0.84 %	0.92 %
Research and development super deduction	11.45 %	2.28 %	7.40 %
HK tax-free interest income	2.77 %	0.10 %	3.51 %
Effect of equity transaction	(7.92)%	—	—
Others	(3.00)%	0.14 %	1.14 %
Changes in valuation allowance	0.99 %	(3.59)%	(26.79)%
Effective income tax rate	<u>(35.88)%</u>	<u>(4.56)%</u>	<u>(5.53)%</u>

The effect of the tax holiday on the income per share is as follows:

	For Year Ended December 31,		
	2021 RMB	2022 RMB	2023 RMB
Tax saving amount due to preferential tax rates	7,142	4,898	1,993
Income per share effect-basic	0.03	0.03	0.01
Income per share effect-diluted	0.03	0.03	0.01

[Table of Contents](#)

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

	As of December 31,	
	2022	2023
	RMB	RMB
Deferred tax assets:		
Accrued expenses	52,912	64,166
Inventory write-down	33,379	46,674
Impairment of equity investments	7,048	8,595
Salary and welfare payable	2,760	1,954
Allowance for credit losses	21,627	23,464
Net operating loss carry forward	83,099	439,585
Less: valuation allowance	(38,316)	(383,810)
Deferred tax assets, net	<u>162,509</u>	<u>200,628</u>
Deferred tax liabilities:		
Identifiable intangible assets	(28,082)	(24,966)
Deferred tax liabilities	<u>(28,082)</u>	<u>(24,966)</u>

The Group's ability to realize deferred tax assets depends on its ability to generate sufficient taxable income within the carry forward periods provided for in the tax law. The Group considers positive and negative evidence to determine whether some portion or all of the deferred tax assets will be more likely than not realized. This assessment considers, among other matters, the nature, frequency and severity of recent losses and forecasts of future profitability. These assumptions require significant judgement and the forecasts of future taxable income are consistent with the plans and estimates the Group is using to manage the underlying businesses. The Group provided a valuation allowance for the deferred tax assets relating to the future benefit of net operating loss carry forwards and other deferred tax assets of certain subsidiaries as of December 31, 2022 and 2023, respectively, as management is not able to conclude that the future realization of such deferred tax assets are more likely than not. The amount of tax loss carried forward was RMB359,812 and RMB1,814,685 as of December 31, 2022 and 2023, respectively, for the Group's certain subsidiaries.

Movement of the valuation allowance is as follows:

	For Year Ended December 31,	
	2022	2023
	RMB	RMB
Balance as of January 1	18,169	38,316
Additions	28,134	355,907
Reversals	(7,987)	(10,413)
Balance as of December 31	<u>38,316</u>	<u>383,810</u>

Uncertainties exist with respect to how the current income tax law in the PRC applies to the Group's overall operations, and more specifically, with regard to tax residency status. The EIT Law includes a provision specifying that legal entities organized outside of the PRC will be considered residents for Chinese income tax purposes if the place of effective management or control is within the PRC. The implementation rules to the EIT Law provide that non-resident legal entities will be considered PRC residents if substantial and overall management and control over the manufacturing and business operations, personnel, accounting and properties, occurs within the PRC. Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, the Group does not believe that the legal entities organized outside of the PRC should be treated as residents for EIT Law purposes. If the PRC tax authorities subsequently determine that the Company and its subsidiaries registered outside the PRC should be deemed resident enterprises, the Company and its subsidiaries registered outside the PRC will be subject to the PRC income taxes, at a rate of 25%. The Group is not subject to any other uncertain tax position.

According to PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or withholding agent. The statute of limitations will be extended to five years under special circumstances, which are not clearly defined (but an underpayment of tax liability exceeding RMB0.1 million is specifically listed as a special circumstance). In the case of a related party transaction, the statute of limitations is ten years. There is no statute of limitations in the case of tax evasion. From inception to 2020, the Company is subject to examination of the PRC tax authorities.

As of December 31, 2022 and 2023, retained earnings and accumulated deficits of Company's subsidiaries and VIE located in PRC were RMB1,601,313 and RMB2,332,782, respectively. The Company's PRC subsidiaries' retained earnings have been and would be permanently reinvested to the PRC subsidiaries. Therefore, no deferred tax liability upon dividend withholding tax was accrued.

Under applicable accounting principles, a deferred tax liability should be recorded for taxable temporary differences attributable to the excess of financial reporting basis over tax basis in a consolidated VIE. However, recognition is not required in situations where the tax law provides a means by which the reported amount of that investment can be recovered tax free and the enterprise expects that it will ultimately use that means. The Group completed its feasibility analysis on a method, which the Group will ultimately execute if necessary to repatriate the undistributed earnings of the VIE without significant tax costs. As such, the Group does not accrue deferred tax liabilities on the earnings of the VIE given that the Group will ultimately use the means.

15. Operating lease liabilities

The following table discloses the weighted-average remaining lease term and weighted-average discount rate for the Group's leases:

Lease Term and Discount Rate	Year ended December 31,	
	2022	2023
Weighted-average remaining lease term:		
- Operating leases	5.50 years	4.63 years
Weighted-average discount rate		
- Operating leases	6.69 %	6.32 %

The following is a maturity analysis of the annual undiscounted cash flows for the annual periods ended December 31:

Fiscal Year	Operating lease RMB
2024	390,362
2025	300,519
2026	197,584
2027	146,670
2028	82,532
Thereafter	192,133
Total lease commitment	1,309,800
Less: Imputed interest	(177,721)
Total operating lease liabilities	1,132,079
Less: current operating lease liabilities	(332,983)
Long-term operating lease liabilities	799,096

As of December 31, 2023, the future lease payments for short-term operating leases that are not capitalized as right-of-use assets were RMB16,105.

Supplemental cash flow information related to leases for the year ended December 31, 2022 and 2023 is as follows:

	For Year Ended December 31,	
	2022	2023
	RMB	RMB
Cash paid for amounts included in measurement of liabilities:		
Operating cash flows from operating leases	371,295	432,477
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	54,036	429,788

During the three years ended December 31, 2021, 2022 and 2023, the Group incurred operating lease expenses of RMB319,649, RMB367,605 and RMB447,126 (excluding RMB35,386 for short-term leases not capitalized as right-of-use assets), respectively.

16. Redeemable non-controlling interests

In August 2021, the Group acquired 51% equity interest of Morefun and obtained the controlling interest accordingly. Pursuant to the share purchase agreement, the Group has the right and obligation to purchase an additional Morefun's 22% equity interest from the founders in the event that Morefun achieves the performance target stipulated in the agreement for the following three years. As the redemption of the noncontrolling interests is outside of the control of the Group, the non-controlling interests are accounted for as redeemable non-controlling interests in the Group's consolidated balance sheets. The redeemable non-controlling interests were initially recorded at the acquisition date fair value and recognize changes in the redemption value immediately as they occur subsequently.

Baotong Inc. ("Baotong") was a wholly-owned subsidiary of the Group. In October 2021, Cainiao Smart Logistic Investment Limited ("Cainiao") entered into a shareholder agreement with Baozun Inc. acquired 30% equity interest of Baotong with the total consideration of US\$217.9 million, equivalent to RMB1,392.5 million.

Pursuant to the shareholder agreement, the pre-money valuation of Baotong shall be subject to adjustment in accordance with the achievement percentage of FY2022 target net profit. Since Baotong's net profit of FY2022 was less than the target net profit, Baozun was obliged to compensate Cainiao by cash or shares of Baotong or a combine of both. Therefore, a derivative liability of US\$52.8 million, equivalent to RMB364.8 million, was recorded as of December 31, 2022. Upon the finalization and agreement of the adjustment to be of US\$3.4 million, equivalent to RMB24.5 million, in 2023, the Group trued up the derivative liability with a fair value gain recorded in the consolidated statement of operations for the year ended 2023.

Subsequently, the derivative liability has been settled with cash of US\$10.2 million, equivalent to RMB74.0 million, and 7% share of Baotong's equity to non-controlling shareholder with designated value of RMB100.8 million, with a gain of RMB182.2 million as additional paid-in capital of the Group.

In addition, according to the agreement, if certain triggering events occur, Cainiao has the right to exercise a put option requiring Baozun to redeem Baotong's shares within 12 months starting from August 2024, at a price equal to the initial investment plus an internal rate of 6%. As of the year ended December 31, 2022 and 2023, the Company assessed the fair value of put option is immaterial.

The following tables provides details of the redeemable noncontrolling interest activity for the years ended December 31, 2022 and 2023:

	For the year ended December 31,	
	2022 RMB	2023 RMB
Balance as of January 1	1,421,680	1,438,082
Net income attributable to redeemable non-controlling interest	43,759	45,969
Settlement of derivative liabilities with shares	—	100,807
Impact from deconsolidation of a subsidiary due to loss of control	(27,357)	—
Balance as of December 31	1,438,082	1,584,858

17. Ordinary Shares and Treasury Stock

On May 18, and November 30, 2021, the Company announced share repurchase plan with an aggregated amount of US\$175 million over the next 12 months. For the year ended December 31, 2021, the Company repurchased 27,191,731 shares with a total amount of US\$164.9 million from its shareholders, of which 19,042,105 shares with a total purchase price of US\$105 million were subsequently retired. On October 5, 2022, the Company announced share repurchase plan with an maximum amount of US\$80 million over the next 12 months. For the year ended December 31, 2022, the Company repurchased 24,203,643 shares with a total amount of US\$68.0 million from its shareholders. The above 32,353,269 outstanding treasury shares were all cancelled during the year of 2023.

For the years ended December 31, 2021, 2022 and 2023, 2,180,370, 4,503,090 and 4,801,007 share options and restricted share units were exercised and vested to Class A ordinary shares, respectively.

18. Net loss per share

Basic and diluted net loss per share for each of the years presented are calculated as follows:

	For Year Ended December 31,		
	2021 RMB	2022 RMB	2023 RMB
Numerator:			
Net loss	(205,963)	(610,374)	(222,776)
Net (income) loss attributable to non-controlling interests	(1,505)	843	(9,677)
Net income attributable to redeemable non-controlling interests	(12,362)	(43,759)	(45,969)
Net loss attributable to ordinary shareholders of Baozun Inc.	(219,830)	(653,290)	(278,422)
Net loss per share attributable to ordinary shareholders of Baozun Inc.			
Basic	(1.02)	(3.56)	(1.56)
Diluted	(1.02)	(3.56)	(1.56)
Net loss per ADS (1 ADS represents 3 Class A ordinary shares) attributable to ordinary shareholders of Baozun Inc.			
Basic	(3.05)	(10.69)	(4.68)
Diluted	(3.05)	(10.69)	(4.68)
Shares (Denominator):			
Weighted average number of ordinary shares			
Basic	216,370,290	183,274,855	178,549,849
Diluted	216,370,290	183,274,855	178,549,849

During the years ended 2021, 2022 and 2023, the Group had 527,416, 3,751,322 and 8,502,786 outstanding restricted share units and options respectively, which were excluded from the computation of diluted earnings per share as their effects would have been anti-dilutive.

In applying the if-converted method, the conversion of the convertible senior notes was not assumed as the effect would have been anti-dilutive.

12,692,328 ordinary shares issued to ADS Borrowers were not considered as outstanding and were excluded from the computation of basic and diluted earnings per share for the year ended December 2021.

19. Related party transactions

The table below sets forth the major related parties and their relationships with the Group as of December 31, 2023:

Name of related parties	Relationship with the Group
Alibaba Group Holding Limited (“Alibaba Group”)	Parent company of Alibaba, one of the Group’s ordinary shareholders
Ahead (Shanghai) Trade Co., Ltd. (“Ahead”)	Subsidiary of Softbank, one of the Group’s ordinary shareholders
Beijing Pengtai Baozun E-commerce Co., Ltd. (“Pengtai”)	Equity method investee of the Group
Shanghai Misako E-commerce Limited (“Misako”)	Equity method investee of the Group
Hangzhou Juxi Technology Co., Ltd. (“Juxi”)	Equity method investee of the Group
Jiangsu Shanggao Supply Chain Co., Ltd. (“Shanggao”)	Equity method investee of the Group
Signify Lighting Technology (Shanghai) Co., Ltd. (“Signify”)	Equity method investee of the Group
Shanghai Kewei E-commerce Co., Ltd. (“Kewei”)	Equity method investee of the Group
Hangzhou Baichen Technology Co., Ltd. (“Baichen”)	Equity method investee of the Group and consolidated by the Group in October 2023
Zunrui (Nantong) E-commerce Co., Ltd. (“Zunrui”)	Equity method investee of the Group and consolidated by the Group in June 2021
Hunan Leier Media Co., Ltd. (“Leier”)	Equity investee of the Group
Hangzhou Dajing Guangtong Network Technology Co., Ltd. (“Dajing”)	Equity method investee of the Group and divestment in October 2022
Laifeng Brand Management (Shanghai) Co., Ltd. (“Laifeng”)	Equity method investee of the Group
Jiangsu Creaway Supply Chain Management Co., Ltd. (“Creaway Group”)	Non-controlling shareholder of BolTone, one subsidiary of the Group
Baobida IOT Technology (Suzhou) Co., Ltd. (“BBD”)	Equity method investee of the Group
Changsha Benwei Fresh Food Brand Management Co., Ltd. (“BW”)	Equity investee of the Group
Aoxue Culture Communication (Beijing) Co., Ltd. (“AX”)	Equity method investee of the Group
Shanghai Mansen Brand Management Co., Ltd. (“MS”)	Equity investee of the Group and consolidated by the Group in April 2023
Sesame Blooming Limited Co., Ltd. (“Seasame”)	Equity investee of the Group

(a) The Group entered into the following transactions with its related parties:

	For Year Ended December 31,		
	2021 RMB	2022 RMB	2023 RMB
Revenue derived from:			
Product sales revenue generated from Alibaba Group	—	5,954	8,607
Warehousing service revenue generated from Alibaba Group	33	34,614	70,566
Store operation service revenue generated from Alibaba Group	12,313	7,523	5,728
IT service revenue generated from Pengtai	2,062	—	—
Store operation service revenue generated from Pengtai	—	4,951	5,232
Store operation service revenue generated from Signify	6,160	5,912	6,493
Store operation service revenue generated from Kewei	1,565	938	2,985
Logistic service revenues collected by Creaway Group	68,556	64,572	12,814
Logistic service revenues generated from Creaway Group	2,333	2,239	1,363
Store operation service revenue generated from Aoxue	—	3,175	1,522
Store operation service revenue generated from Benwei	—	6,321	5,375
Store operation service revenue generated from Mansen	—	1,443	195
Warehousing service revenue generated from Signify	2,787	91	—
Others	12	1,979	1,015
	95,821	133,758	113,288
Service fees:			
Marketing and platform service fees paid to Alibaba Group	752,833	746,858	278,938
Logistic service fees paid to Alibaba Group	72,459	47,569	38,373
Outsourcing labor cost paid to Juxi	15,167	6,406	6,493
Marketing and platform service fees paid to Kewei	26,986	52,806	16,337
Logistic service fees paid to Shanggao	330	—	—
Marketing and platform service fees paid to Baichen	6,230	715	723
Outsourcing labor cost paid to Zunrui	10,273	—	—
Logistic service expenses advanced by Creaway Group	57,904	13,410	1,330
Logistic service expenses paid to Creaway Group	2,244	4,339	2,902
Logistic service expenses paid to BBD	—	8,224	718
IT service fees paid to Alibaba Group	—	10,718	12,755
Others	1,414	1,374	3,863

(b) The Group had the following balances with its related parties:

	As of December 31,	
	2022	2023
	RMB	RMB
Amounts due from Alibaba Group ⁽¹⁾	38,405	48,096
Amounts due from Signify ⁽²⁾	3,648	1,709
Amounts due from Kewei ⁽³⁾	5,580	900
Amounts due from Pengtai	2,002	2,049
Amounts due from Creaway Group	6,906	6,631
Amounts due from BBD	19,110	—
Amounts due from Leier	6,300	—
Amounts due from Aoxue	3,222	509
Amounts due from Benwei	6,564	3,815
Amounts due from Mansen	1,454	—
Amounts due from Sesame	—	22,747
Others	79	205
Total amount due from related parties	<u>93,270</u>	<u>86,661</u>
Amounts due to Alibaba Group ⁽¹⁾	21,339	30,485
Amounts due to Juxi ⁽⁴⁾	1,507	453
Amounts due to Creaway Group	2,935	1,028
Amounts due to BBD	4,151	—
Others	502	152
Total amount due to related parties	<u>30,434</u>	<u>32,118</u>

- (1) Amounts due from Alibaba Group consisted of receivables of RMB38,405 and RMB48,096 to be collected from Alibaba Group for deposits paid to Alibaba, store operation services and warehousing services provided by the Group as of December 31, 2022 and 2023, respectively. Amounts due to Alibaba Group consisted of payables of RMB21,339 and RMB30,485 for logistic, marketing and platform services, and commission fees as of December 31, 2022 and 2023, respectively.
- (2) Amounts due from Signify consisted of the receivables for store operation services, warehousing services and IT services provided by the Group.
- (3) Amounts due from Kewei consisted of the receivables for store operation services provided by the Group and the advance payment made by the Group to support its operating.
- (4) Amounts due to Juxi consisted of the payables for outsourcing labor cost provided to the Group.

20. Commitments

As of December 31, 2023, the Group did not have any material contingent liabilities or commitments.

21. Share-Based Compensation

Share incentive plan

From 2010 to 2015, the Group granted 24,731,467 share options, in aggregate, under the Share Incentive Plan. As of December 31, 2019, all the options had been vested and the relating share compensation expense had been recognized in the consolidated statements of operations.

No share options were granted during the years ended December 31, 2021, 2022 and 2023.

Share options

A summary of option activities during the year ended December 31, 2023 is presented below:

	Number of Options	Weighted Average Exercise Price RMB	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value of Options RMB	Weighted Average Grant-Date Fair Value USD
Outstanding, as of January 1, 2023	1,887,470	0.5	1.7	22,098	2.15
Forfeited	—	—	—	—	—
Exercised	(10,644)	—	—	—	0.96
Outstanding, as of December 31, 2023	<u>1,876,826</u>	0.5	0.7	11,543	2.15
Vested and expected to vest as of December 31, 2023	1,876,826	0.5	0.7	11,543	2.15
Exercisable as of December 31, 2023	1,876,826	0.5	0.7	11,543	2.15

The aggregate intrinsic value of options exercised during the year ended December 31, 2023 was RMB11,543.

Restricted share units

On November 1, 2022, the Group adopted our 2022 Plan, the 2015 Plan was terminated and replaced by the 2022 Plan, the Group granted 7,099,416 restricted share units to certain employees and senior management in 2022, which vest immediately, or over a period from 3 months to 4 years. Under the 2022 Plan, the Group granted 5,407,413 restricted share units to certain employees and senior management in 2023, which vest over 1 to 4 years. A summary of the restricted share units activities under the 2022 Plan during the year ended December 31, 2023 is presented below:

	Number of restricted share units	Weighted-Average Grant-Date Fair Value RMB
Outstanding and unvested, as of January 1, 2023	6,595,577	31.68
Granted	5,407,413	12.36
Vested	(4,790,363)	26.53
Forfeited	(586,667)	23.96
Outstanding and unvested, as of December 31, 2023	<u>6,625,960</u>	<u>20.32</u>

The fair value of restricted share units granted was determined based on the fair value of the Company's ordinary shares on the grant date.

As of December 31, 2023, there was RMB94,474 unrecognized compensation costs, net of estimated forfeitures, related to unvested restricted share units, which is expected to be recognized over a weighted-average period of 1.60 years.

[Table of Contents](#)

The Group recorded compensation expenses of RMB196,547, RMB142,381 and RMB103,449 for both share options and restricted share units for the years ended December 31, 2021, 2022 and 2023, respectively, which were classified in the accompanying consolidated statements of operations as follows:

	For Year Ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Fulfillment	16,845	13,730	6,443
Sales and marketing	89,275	57,548	33,955
Technology and content	38,001	22,512	12,184
General and administrative	52,426	48,591	50,867
	196,547	142,381	103,449

22. Employee benefit plans

The Group's PRC subsidiaries are required by law to contribute certain percentages of applicable salaries for retirement benefits, medical insurance benefits, housing funds, unemployment and other statutory benefits. The PRC government is directly responsible for the payments of such benefits. The Group contributed RMB298,108, RMB373,024 and RMB407,783 for the years ended December 31, 2021, 2022 and 2023, respectively, for such benefits.

23. Restricted net assets

Pursuant to the laws applicable to the PRC's Foreign Investment Enterprises and local enterprises, the Company's entities in the PRC must make appropriation from after-tax profit to non-distributable reserve funds as determined by the Board of Directors of the Company.

The Company's subsidiaries and VIE, in accordance with the China Company Laws, must make appropriation from their after-tax profit (as determined under PRC GAAP) to non-distributable reserve funds including (i) statutory surplus fund, (ii) statutory public welfare fund and (iii) discretionary surplus fund. Statutory surplus fund is at least 10% of the after-tax profit as determined under PRC GAAP until such reserve has reached 50% of the registered capital of the respective company. Appropriation of the statutory public welfare fund and discretionary surplus fund are made at the discretion of the Company.

The appropriation to these reserves by the Group's PRC entities were RMB19,456, RMB16,484 and RMB21,933 for the years ended December 31, 2021, 2022 and 2023. The accumulated reserves as of December 31, 2021, 2022 and 2023 were RMB118,140, RMB134,624 and RMB156,577 respectively.

As a result of these PRC laws and regulations and the requirement that distributions by PRC entities can only be paid out of distributable profits computed in accordance with PRC GAAP, the PRC entities are restricted from transferring a portion of their net assets to the Group. Amounts restricted include paid-in capital, additional-paid-in capital and the statutory reserves of the Company's PRC subsidiaries and VIE. The aggregate amounts of capital and statutory reserves restricted which represented the amount of net assets of the relevant subsidiaries and VIE in the Group not available for distribution was RMB3,334,988 as of December 31, 2023.

24. Segment Information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the "CODM"), which is identified as the chief executive officer. The CODM regularly reviews the operation data, segment profits and uses these results to evaluate the performance of, and to allocate resources to, each of the segments.

After the acquisition of GAP Shanghai, being the first brand brought into Brand Management starting from February 1, 2023, the Group reorganized its business into two operating segments, which are (i) E-Commerce; (ii) Brand Management, in the purpose of better reflecting the business developments. All prior periods have been restated to reflect the new segment reporting.

The following summary describes the operations in each of the Group's operating segment:

- (i) **E-Commerce** focuses on Baozun traditional business and comprises two business line, BEC (Baozun E-Commerce) and BZI (Baozun International).
- a> BEC includes our mainland China e-commerce businesses, such as brands' store operations, customer services and value-added services in logistics and supply chain management, IT and digital marketing.
- b> BZI includes our e-commerce businesses outside of mainland China, including locations such as Hong Kong, Macau, Taiwan, South East Asia and Europe.
- (ii) **Brand Management** engages in holistic brand management, encompassing strategy and tactic positioning, branding and marketing, retail and e-commerce operations, supply chain and logistics and technology empowerment to leverage our portfolio of technologies to forge into longer and deeper relationships with brands.

The table below provides a summary of the Group's reportable segment results for the year ended December 31, 2022 and 2023, with prior periods' segment information retrospectively recast to conform to current period presentation:

	For the year ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Net revenues:			
E-Commerce	9,396,256	8,400,631	7,621,114
Brand Management	—	—	1,271,027
Inter-segment eliminations *	—	—	(80,128)
Total consolidated net revenues	9,396,256	8,400,631	8,812,013
**Adjusted Operating Profits (Losses):			
E-Commerce	224,104	256,093	163,990
Brand Management	—	—	(187,663)
Total Adjusted Operating Profits (Losses)	224,104	256,093	(23,673)
Inter-segment eliminations *	—	—	—
Unallocated expenses:			
Share-based compensation expenses	(196,547)	(142,381)	(103,449)
Amortization of intangible assets resulting from business acquisition	(20,536)	(39,431)	(31,875)
Acquisition-related expenses	—	(13,694)	(12,171)
Cancellation fees of repurchased shares	—	(4,650)	—
Loss on variance from expected contingent acquisition payment	—	(9,495)	—
Impairment of goodwill	—	(13,155)	(35,212)
Total other expenses	(161,025)	(613,595)	(10,646)
Loss before income tax	(154,004)	(580,308)	(217,026)

*The inter-segment eliminations mainly consist of revenues from services provided by E-Commerce to Brand Management.

**Adjusted Operating Profits (Losses) represent segment profits (losses), which is income (loss) from operations from each segment without allocating share-based compensation expenses, acquisition-related expenses and amortization of intangible assets resulting from business acquisition.

The Group's Chief Operating Decision Maker does not evaluate the performance of the Group's assets on a segment basis for internal management reporting and, therefore, such information is not presented.

Geographic Area Information

Geographic revenue information is based on the location of our customer operates. As the Group's revenues are mainly located in the PRC and the Group revenues derived from within the PRC are RMB8,255,790 and RMB8,701,254 for the years ended 2022 and 2023, respectively.

25. DIVIDEND

The Board did not recommend the distribution of any interim dividend for the year ended December 31, 2022 and 2023.

26. Subsequent Event

During the period from April 3, 2024 to April 12, 2024, the Company repurchased from the market a total of 400,000 ADS of the Company listed on NASDAQ with an aggregate consideration of US\$966,137, which have yet to be cancelled.

Save as disclosed above, there was no other event that has taken place subsequent to December 31, 2023 that may have a material impact on the Group's operating and financial performance.

ADDITIONAL FINANCIAL INFORMATION OF PARENT COMPANY - FINANCIAL STATEMENTS SCHEDULE I

BAOZUN INC.

FINANCIAL INFORMATION OF PARENT COMPANY

CONDENSED BALANCE SHEET

(All amounts in thousands, except for share and per share data)

	As of December 31,		
	2022 RMB	2023 RMB	US\$ Note 3
ASSETS			
Current assets:			
Cash and cash equivalents	783,543	446,105	62,833
Restricted cash	—	120,807	17,015
Prepayments and other current assets	2,060	24,255	3,417
Short term investment	138,052	—	—
Amounts due from subsidiaries and VIE	1,434,838	1,681,216	236,795
Total current assets	2,358,493	2,272,383	320,060
Non-current assets:			
Investments in subsidiaries and VIE	2,114,145	1,844,885	259,847
Investments in equity investee	10,019	10,261	1,445
Total non-current assets:	2,124,164	1,855,146	261,292
TOTAL ASSETS	4,482,657	4,127,529	581,352
LIABILITIES			
Current liabilities:			
Short-term loans	—	—	—
Other current liabilities	33,737	30,325	4,271
Income tax payable	—	—	—
Derivative liabilities	364,758	—	—
Total current liabilities	398,495	30,325	4,271
Total non-current liabilities	—	—	—
TOTAL LIABILITIES	398,495	30,325	4,271
SHAREHOLDERS' EQUITY			
Class A ordinary shares (US\$0.0001 par value; 470,000,000 shares authorized, 163,100,873 and 167,901,880 shares issued and outstanding as of December 31, 2022 and 2023, respectively)	116	93	13
Class B ordinary shares (US\$0.0001 par value; 30,000,000 shares authorized, 13,300,738 shares issued and outstanding as of December 31, 2022, and December 31, 2023, respectively)	8	8	1
Additional paid-in capital	5,129,103	4,571,439	643,874
Treasury shares	(832,578)	—	—
Accumulative deficit	(228,165)	(506,587)	(71,349)
Accumulated other comprehensive income	15,678	32,251	4,542
Total shareholders' equity	4,084,162	4,097,204	577,081
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,482,657	4,127,529	581,352

ADDITIONAL FINANCIAL INFORMATION OF PARENT COMPANY - FINANCIAL STATEMENTS SCHEDULE I

BAOZUN INC.

FINANCIAL INFORMATION OF PARENT COMPANY

CONDENSED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

(All amounts in thousands, except for share and per share data)

	For the year ended December 31.			
	2021	2022	2023	
	RMB	RMB	RMB	US\$ Note 3
Operating expenses:				
Sales and marketing	—	(2,362)	(5,242)	(738)
General and administrative	(18,166)	(53,170)	(27,376)	(3,856)
Other operating (expenses) income	(3)	5,194	3,498	493
Total operating expenses	<u>(18,169)</u>	<u>(50,338)</u>	<u>(29,120)</u>	<u>(4,101)</u>
Loss from operations	<u>(18,169)</u>	<u>(50,338)</u>	<u>(29,120)</u>	<u>(4,101)</u>
Interest income	1,667	13,367	34,379	4,842
Interest expense	(53,123)	(15,698)	—	—
Unrealized investment (loss) gain	(209,956)	(102,035)	65	9
Exchange gain (loss)	20,442	(85,795)	(29,245)	(4,119)
Income tax expense	(12,204)	—	—	—
Gain on repurchase of 1.625% convertible senior notes due 2024	—	7,907	—	—
Equity in income (loss) of subsidiaries and VIE	51,513	(55,940)	(279,016)	(39,299)
Fair value (loss) gain on derivative liabilities	—	(364,758)	24,515	3,453
Net loss	<u>(219,830)</u>	<u>(653,290)</u>	<u>(278,422)</u>	<u>(39,215)</u>
Foreign currency translation adjustment	(53,847)	118,281	16,573	2,334
Comprehensive loss	<u>(273,677)</u>	<u>(535,009)</u>	<u>(261,849)</u>	<u>(36,881)</u>

ADDITIONAL FINANCIAL INFORMATION OF PARENT COMPANY - FINANCIAL STATEMENTS SCHEDULE I

BAOZUN INC.

FINANCIAL INFORMATION OF PARENT COMPANY

CONDENSED STATEMENT OF CASH FLOWS

(All amounts in thousands, except for share and per share data)

	For the year ended December 31,			
	2021 RMB	2022 RMB	2023 RMB	US\$ Note 3
Cash flows from operating activities:				
Net loss	(219,830)	(653,290)	(278,422)	(39,215)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Exchange loss (gain)	(20,442)	85,795	29,245	4,119
Amortization of issuance cost of convertible senior notes	23,673	7,861	—	—
Equity in (loss)/income of subsidiaries and VIE	(51,513)	55,940	279,016	39,299
Income tax payable	12,204	(94,298)	—	—
Unrealized loss related to investments in equity investee	209,956	102,035	(65)	(9)
Gain from repurchase CB	—	(7,907)	—	—
Changes in other current liabilities	2,324	13,201	(3,412)	(481)
Fair value loss (gain) on derivative liabilities	—	364,758	(24,515)	(3,453)
Fair value change on contingent consideration payable	—	9,495	—	—
Net cash (used in) provided by operating activities	(43,628)	(116,410)	1,847	260
Cash flows from investing activities:				
Loan to subsidiaries	(195,673)	—	(621,360)	(87,517)
Repayment from subsidiaries to Baozun Inc.	2,256,302	1,127,579	365,226	51,441
Short term investment	—	(138,052)	138,052	19,444
Investments in equity investee	(324,464)	—	—	—
Net cash provided (used in) by investing activities	1,736,165	989,527	(118,082)	(16,632)
Cash flows from financing activities:				
Proceeds from exercises of share options	52	3	1	—
Proceeds from issuance of ordinary shares in Hong Kong public offering	—	—	—	—
Payments for public offering cost	(8,978)	—	—	—
Proceeds from issuance of convertible senior notes, net of issuance cost	—	—	—	—
Repurchase of ordinary shares	(1,060,353)	(446,636)	—	—
Proceeds from sale of subsidiary's equity interest to Cainiao	994,766	101,189	—	—
Payment for short term loan	—	(1,759,973)	—	—
Purchase of subsidiaries, net of cash acquired	—	(7,224)	(13,213)	(1,861)
Settle derivative liabilities with Cainiao	—	—	(73,988)	(10,421)
Net cash provided by (used in) financing activities	(74,513)	(2,112,641)	(87,200)	(12,282)
Net increase (decrease) in cash and cash equivalents	1,618,024	(1,239,524)	(203,435)	(28,654)
Cash and cash equivalents, beginning of year	145,311	1,894,125	783,543	113,603
Effect of exchange rate changes on cash and cash equivalents	130,790	128,942	(13,196)	(5,101)
Cash and cash equivalents and restricted cash, end of year	1,894,125	783,543	566,912	79,848

	For the year ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
Supplemental disclosure of cash flow information:				
Cash paid for interest	28,617	12,406	—	—
Cash paid for income tax	—	94,298	—	—
Supplemental disclosures of non-cash investing and financing activities:				
Subscription receivable	101,686	—	—	—
Unpaid Hong Kong public offering costs	—	—	—	—

ADDITIONAL FINANCIAL INFORMATION OF PARENT COMPANY - FINANCIAL STATEMENTS SCHEDULE I

BAOZUN INC.

FINANCIAL INFORMATION OF PARENT COMPANY

NOTES TO SCHEDULE I

- 1) Schedule I has been provided pursuant to the requirements of *Rule 12-04(a) and 5-04(c) of Regulation S-X*, which require condensed financial information as to the financial position, changes in financial position and results of operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year.
- 2) The condensed financial information has been prepared using the same accounting policies as set out in the consolidated financial statements except that the equity method has been used to account for investments in its subsidiaries and VIE. For the parent company, the Company records its investments in subsidiaries and VIE under the equity method of accounting as prescribed in ASC 323, *Investments-Equity Method and Joint Ventures*. Such investments are presented on the Condensed Balance Sheets as “Investment in subsidiaries and VIE” and the subsidiaries and VIE’ profit or loss as “Equity in income/loss of subsidiaries” on the Condensed Statements of Operations and Comprehensive Income. Ordinarily under the equity, an investor in an equity method investee would cease to recognize its share of the losses of an investee once the carrying value of the investment has been reduced to nil absent an undertaking by the investor to provide continuing support and fund losses. For the purpose of this Schedule I, the parent company has continued to reflect its share, based on its proportionate interest, of the losses of subsidiaries and VIE regardless of the carrying value of the investment even though the parent company is not obligated to provide continuing support or fund losses.
- 3) Translations of balances in the Additional Financial Information of Parent Company-Financial Statements Schedule I from RMB into US\$ as of and for the year ended December 31, 2023 are solely for the convenience of the readers and were calculated at the rate of US\$1.00 = RMB7.0999, representing the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on December 29, 2023. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at that rate on December 29, 2023, or at any other rate.
- 4) As of December 31, 2022 and 2023, there were no material contingencies, significant provisions of long-term obligations, mandatory dividend or redemption requirements of redeemable stocks or guarantees of the Company.

Description of rights of each class of securities registered under Section 12 of the Securities Exchange Act of 1934 (the “Exchange Act”)

As of December 31, 2023, Baozun Inc. (“Baozun”, “we”, “us”, “our company” and “our”) had the following series of securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934, as amended, or the Exchange Act.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
American Depositary Shares, each representing three Class A Ordinary Shares, par value US\$0.0001 per share	BZUN	The Nasdaq Stock Market LLC (The Nasdaq Global Select Market)
Class A Ordinary Shares, par value US\$0.0001 per share*	9991	The Stock Exchange of Hong Kong Limited

* Included in connection with the registration of the American Depositary Shares (the “ADSs”) with the Securities and Exchange Commission (the “SEC”). The ordinary shares are not registered or listed for trading in the United States but are listed for trading on The Stock Exchange of Hong Kong Limited.

This exhibit contains a description of the rights of (i) the holders of Class A ordinary shares and (ii) the holders of ADSs. Class A ordinary shares underlying the ADSs are held by JPMorgan Chase Bank, N.A., as depository. As a holder of our American Depositary Receipts (the “ADRs”), we will not treat you as a shareholder of ours and you will not have any shareholder rights.

Description of Class A Ordinary Shares

The following is a summary of material provisions of our currently effective sixth amended and restated memorandum and articles of association, as well as the Companies Act (As Revised) of the Cayman Islands (the “Companies Act”) insofar as they relate to the material terms of our Class A ordinary shares and Class B ordinary shares. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read our sixth amended and restated memorandum and articles of association contained in our Form 6-K (File No. 001-37385) filed with the SEC on October 31, 2022.

Type and Class of Securities (Item 9.A.5 of Form 20-F)

Each Class A ordinary share has a par value of US\$0.0001 per share. The number of Class A ordinary shares that have been issued as of the last day of the Company’s respective fiscal year is provided on the cover of the annual report on Form 20-F (the “Form 20-F”). All of our issued and outstanding ordinary shares are fully paid and non-assessable. The ordinary shares are issued in registered form and each shareholder is entitled to a share certificate in respect of its shares. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

Pre-emptive rights (Item 9.A.3 of Form 20-F)

Our shareholders do not have preemptive rights.

Limitations or Qualifications (Item 9.A.6 of Form 20-F)

Our current authorized share capital is US\$50,000 divided into 500,000,000 shares comprising of 470,000,000 Class A ordinary shares with a par value of US\$0.0001 each and 30,000,000 Class B ordinary shares with a par value of US\$0.0001 each. Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of our Class A ordinary shares and Class B ordinary shares will have the same rights except for voting rights and conversion rights.

Rights of Other Types of Securities (Item 9.A.7 of Form 20-F)

Not applicable.

Rights of Ordinary Shares (Item 10.B.3 of Form 20-F)

Conversion. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any sale, transfer, assignment or disposition of beneficial ownership of any Class B ordinary shares by a holder thereof or a beneficial owner of such Class B Ordinary Shares to any person or entity that is not an Affiliate (as defined in the sixth amended and restated memorandum and articles of association) of such holder or the beneficial owner, such Class B ordinary shares will be automatically and immediately converted into an equal number of Class A ordinary shares.

Dividends. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors subject to the Companies Act and to our sixth amended and restated articles of association. In addition, our shareholders may declare dividends by ordinary resolution, but no dividend shall exceed the amount recommended by our directors.

Our sixth amended and restated articles of association provide that dividends may be declared and paid out of the funds of our company lawfully available therefor. Under the laws of the Cayman Islands, our company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

Voting Rights. Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law. In respect of matters requiring shareholders' vote, on a poll each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to ten votes. At any general meeting a resolution put to the vote of the meeting shall be decided by a show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any shareholder present in person or by proxy with a right to attend and vote at the meeting.

A quorum required for a meeting of shareholders consists of at least one or more shareholders present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative, who hold in aggregate not less than one-third of the votes attaching to all issued and outstanding shares of our company and are entitled to vote. An annual general meeting may be held in each year. Extraordinary general meetings may be convened by a majority of our board of directors or upon a request to the directors by shareholders holding in the aggregate not less than one-tenth of our voting share capital, on a one vote per share basis. Advance notice of at least 21 calendar days is required for the convening of our annual general meeting and advance notice of at least 14 calendar days is required for the convening of any other shareholders' meetings.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast in a general meeting, while a special resolution, in respect of (i) any amendment to our memorandum and articles of association, or (ii) the voluntary liquidation or winding up of the Company, requires the affirmative vote of not less than three-fourths of the votes attaching to the ordinary shares cast at a general meeting, and in respect of any other matter that requires a special resolutions, requires the affirmative vote of no less than two-thirds of the votes attaching to the ordinary shares cast in a general meeting. A special resolution is required for important matters such as a change of name. Holders of the ordinary shares may effect certain changes by ordinary resolution, including increasing the amount of our authorized share capital,

consolidating and dividing all or any of our share capital into shares of larger amount than our existing share capital, and cancelling any unissued shares.

Transfer of Shares. Subject to the restrictions of our sixth amended and restated memorandum and articles of association set out below, as applicable, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or ordinary form or any other form approved by our board.

Our board of directors may, in its sole discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our directors may also decline to register any transfer of any ordinary share unless (a) the instrument of transfer is lodged with us, accompanied by the share certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer; (b) the instrument of transfer is in respect of only one class of ordinary shares; (c) the instrument of transfer is properly stamped, if required; (d) in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; (e) the shares concerned are free of any lien in favor of us; or (f) a fee of such maximum sum as The Nasdaq Stock Market or The Stock Exchange of Hong Kong Limited may determine to be payable, or such lesser sum as our board of directors may from time to time require, is paid to us in respect thereof.

If our directors refuse to register a transfer they shall, within two months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal. The registration of transfers may, on notice being given by advertisement in such one or more newspapers or by electronic means, be suspended at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year. Our board of directors may also close our register of members for transfers for determining who is a shareholder for certain purposes for a period not to exceed 30 days at a time.

Liquidation. On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of shares), assets available for distribution among the holders of ordinary shares shall be distributed among the holders of the ordinary shares on a pro rata basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them. If our assets available for distribution shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed among our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up subject to a deduction from those shares in respect of which there are monies due, of all monies payable to us for unpaid calls or otherwise.

Calls on Shares and Forfeiture of Shares. Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 calendar days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid on the specified time are subject to forfeiture.

Redemption, Repurchase and Surrender of Shares. Subject to the provisions of the Companies Act, we may issue shares on terms that are subject to redemption, at our option or at the option of the holders, on such terms and in such manner, including out of capital, as may be determined by our board of directors, before the issue of such shares, or by a special resolution of our shareholders. Our company may also repurchase any of our shares provided that the manner and terms of such purchase have been approved by our board of directors or by an ordinary resolution of our shareholders, or are otherwise authorized by our memorandum and articles of association. Under the Companies Act, the redemption or repurchase of any share may be paid out of our company's profits or share premium account or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including in certain circumstances capital redemption reserve) if the company can in the case of payment out of the share premium account or capital, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variations of Rights of Shares. All or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Act, be varied either with the written consent of the holders of three-fourths of the issued shares of that class or with the sanction of a resolution passed by the holders of a majority of not less than three-fourths of the shares of that class present and voting at a general meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking in priority to or *pari passu* therewith.

Inspection of Books and Records. Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records (except for our memorandum and articles of association, our register of mortgages and charges and special resolutions of our shareholders). However, our sixth amended and restated memorandum and articles of association provide that except when our register of members is closed in accordance with our sixth amended and restated memorandum and articles of association, our branch register of members maintained in Hong Kong shall during business hours be kept open for inspection by any member without charge. In addition, we will provide our shareholders with annual audited financial statements.

Requirements to Change the Rights of Holders of Ordinary Shares (Item 10.B.4 of Form 20-F)

Variations of Rights of Shares. All or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Act, be varied either with the written consent of the holders of two-thirds of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking in priority to or *pari passu* therewith.

Limitations on the Rights to Own Ordinary Shares (Item 10.B.6 of Form 20-F)

There are no limitations imposed by our sixth amended and restated memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares.

Provisions Affecting Any Change of Control (Item 10.B.7 of Form 20-F)

Anti-takeover Provisions in Our Memorandum and Articles of Association. Some provisions of our sixth amended and restated memorandum and articles of association have the potential to be exercised in a way that may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including a provision that authorizes our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders.

Such 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 these preference shares, the price of our ADSs may fall and the voting and other rights of the holders of our ordinary shares and ADSs may be materially and adversely affected.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our sixth amended and restated memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Ownership Threshold (Item 10.B.8 of Form 20-F)

In addition, there are no provisions in our sixth amended and restated memorandum and articles of association that requires us to disclose shareholder ownership above any particular ownership threshold.

Differences Between the Law of Different Jurisdictions (Item 10.B.9 of Form 20-F)

The Companies Act is modeled after companies law statutes of England and Wales but does not follow recent statutory enactments in England. In addition, the Companies Act differs from laws applicable to United States

corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Act applicable to us and the laws applicable to companies incorporated in the State of Delaware.

Mergers and Similar Arrangements. The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (b) a “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company.

In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (i) a special resolution of the shareholders of each constituent company; and (ii) such other authorization, if any, as may be specified in such constituent company’s articles of association. The plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation effected in compliance with these statutory procedures.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by (a) 75% in value of the shareholders or class of shareholders, as the case may be, or (b) a majority in number representing 75% in value of the creditors or each class of creditors, as the case may be, with whom the arrangement is to be made, that are, in each case, present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

When a take-over offer is made and accepted by holders of 90.0% of the shares affected (within four months after making the offer), the offeror may, within a two-month period commencing on the expiration of such four months period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders’ Suits. In principle, we will normally be the proper plaintiff to sue for a wrong done to us and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands courts can be expected to apply and follow common law principles that permit a minority shareholder to commence

a class action against the company or a derivative action in the name of the company to challenge certain acts, including the following:

- a company acts or proposes to act illegally or ultra vires;
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a “fraud on the minority.”

Indemnification of Directors and Executive Officers and Limitation of Liability. Cayman Islands law does not limit the extent to which a company’s articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime.

Our sixth amended and restated memorandum and articles of association permit indemnification of officers and directors for all actions, proceedings, charges, losses, damages, liabilities costs and expenses incurred in their conduct of our business or affairs (including as a result of any mistake or judgment) or in the execution or discharge of his duties, powers, authorities or discretion, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such officers and directors unless such losses or damages arise from dishonesty, fraud or wilful default of such directors or officers. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we have entered into indemnification agreements with our directors and senior executive officers that will provide such persons with additional indemnification beyond that provided in our sixth amended and restated memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act of 1933 and is therefore unenforceable.

Directors’ Fiduciary Duties. Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company—a duty to act bona fide in the best interests of the company, a duty not to make a profit based on his or her position as director (unless the company permits him to do so) and a duty not to put himself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party. A director of a Cayman Islands company owes to the company a duty to exercise the skill they actually possess and such care and

diligence that a reasonably prudent person would exercise in comparable circumstances. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities (which are of persuasive authority, although not binding on the courts of the Cayman Islands) are likely to be followed in the Cayman Islands. 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.

Shareholder Action by Written Consent. Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Cayman Islands law and our sixth amended and restated articles of association provide that shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

Shareholder Proposals. Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our sixth amended and restated articles allow our shareholders holding in the aggregate not less than one-tenth of the aggregate number of votes attaching to all issued and outstanding shares of our company, on a one vote per share basis, to requisition an extraordinary meeting of the shareholders, in which case the directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, our articles do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings. Our sixth amended and restated articles of association provides that we may in each year hold a general meeting as our annual general meeting, and to specify the meeting as such in the notice calling it.

Cumulative Voting. Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. There are no prohibitions in relation to cumulative voting under Cayman Islands law, but our sixth amended and restated articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors. Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our sixth amended and restated articles of association, directors may be removed by ordinary resolution of the shareholders. In addition, a director's office shall be vacated if the director (i) dies, becomes bankrupt or makes any arrangement or composition with his creditors; (ii) is found to be or becomes of unsound mind; (iii) resigns his office by notice in writing to us; (iv) without special leave of absence from our board of directors, is absent from three consecutive meetings of the board and the board resolves that his office be vacated or; (v) is removed from office pursuant to any other provisions of our sixth amended and restated memorandum and articles of association.

Transactions with Interested Shareholders. The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in

certain business combinations with an “interested shareholder” for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target’s outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target’s board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding up. Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation’s outstanding shares.

Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board. Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Under the Companies Act of the Cayman Islands, our company may be dissolved, liquidated or wound up voluntarily by a special resolution, or by an ordinary resolution on the basis that we are unable to pay our debts as they fall due. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Variation of Rights of Shares. Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under our sixth amended and restated articles of association, and as permitted by Cayman Islands law, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class either with the written consent of the holders of three-fourths of the issued shares of that class or with the sanction of a resolution passed by the holders of a majority of not less than three-fourths of the shares of that class present and voting at a general meeting of the holders of the shares of that class.

Amendment of Governing Documents. Under the Delaware General Corporation Law, a corporation’s governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under Cayman Islands law, our sixth amended and restated memorandum and articles of association may only be amended by special resolution.

Inspection of Books and Records. Under the Delaware General Corporation Law, any shareholder of a corporation may for any proper purpose inspect or make copies of the corporation’s stock ledger, list of shareholders and other books and records.

Holders of our shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records (except for our memorandum and articles of association, our register of mortgages and charges and special resolutions of our shareholders). Our sixth amended and restated memorandum and articles of association provide that except when our register of members is closed in accordance with our sixth amended and restated memorandum and articles of association, our branch register of members

maintained in Hong Kong shall during business hours be kept open for inspection by any member without charge. In addition, we intend to provide our shareholders with annual reports containing audited financial statements.

Anti-takeover Provisions in Our Memorandum and Articles of Association. Some provisions of our sixth amended and restated memorandum and articles of association have the potential to be exercised in a way that may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including a provision that authorizes our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders.

Such 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 these preference shares, the price of our ADSs may fall and the voting and other rights of the holders of our ordinary shares and ADSs may be materially and adversely affected.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our sixth amended and restated memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Rights of Non-resident or Foreign Shareholders. There are no limitations imposed by our sixth amended and restated memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our sixth amended and restated memorandum and articles of association that requires us to disclose shareholder ownership above any particular ownership threshold.

Changes in Capital (Item 10.B.10 of Form 20-F)

Changes in Capital. Our shareholders may from time to time by ordinary resolution:

- increase our share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- sub-divide our existing shares, or any of them into shares of a smaller amount; and
- cancel any shares that, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled.

Subject to the Companies Act and our sixth amended and restated memorandum and articles of association with respect to matters to be dealt with by ordinary resolution, we may, by special resolution, reduce our share capital and any capital redemption reserve in any manner authorized by law.

Issuance of Additional Shares. Our sixth amended and restated memorandum and articles of association authorizes our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent there are available authorized but unissued shares.

Our sixth amended and restated memorandum and articles of association authorizes our board of directors to establish from time to time one or more series of convertible redeemable preferred shares and to determine, with respect to any series of convertible redeemable preferred shares, the terms and rights of that series, including:

- designation of the series;
-

- the number of shares of the series;
- the dividend rights, conversion rights and voting rights; and
- the rights and terms of redemption and liquidation preferences.

The issuance of convertible redeemable preferred shares may be used as an anti-takeover device without further action on the part of the shareholders. Issuance of these shares may dilute the voting power of holders of ordinary shares.

Debt Securities (Item 12.A of Form 20-F)

None.

Warrants and Rights (Item 12.B of Form 20-F)

None.

Other Securities (Item 12.C of Form 20-F)

None.

Description of American Depositary Shares (Item 12.D.1 and 12.D.2 of Form 20-F)

General

JPMorgan Chase Bank, N.A. acts as depositary for the ADSs, or the depositary. Each ADS represents an ownership interest in a designated number or percentage of shares deposited with the custodian, as agent of the depositary, under the deposit agreement among ourselves, the depositary, yourself as an ADR holder and all other ADR holders, and all beneficial owners of an interest in the ADSs evidenced by ADRs from time to time.

The depositary's office is located at 383 Madison Avenue, Floor 11, New York, NY 10179.

The ADS to share ratio is subject to amendment as provided in the form of ADR (which may give rise to fees contemplated by the form of ADR). In the future, each ADS will also represent any securities, cash or other property deposited with the depositary but which they have not distributed directly to you.

A beneficial owner is any person or entity having a beneficial ownership interest ADSs. A beneficial owner need not be the holder of the ADR evidencing such ADS. If a beneficial owner of ADSs is not an ADR holder, it must rely on the holder of the ADR(s) evidencing such ADSs in order to assert any rights or receive any benefits under the deposit agreement. A beneficial owner shall only be able to exercise any right or receive any benefit under the deposit agreement solely through the holder of the ADR(s) evidencing the ADSs owned by such beneficial owner. The arrangements between a beneficial owner of ADSs and the holder of the corresponding ADRs may affect the beneficial owner's ability to exercise any rights it may have.

An ADR holder shall be deemed to have all requisite authority to act on behalf of any and all beneficial owners of the ADSs evidenced by the ADRs registered in such ADR holder's name for all purposes under the deposit agreement and ADRs. The depositary's only notification obligations under the deposit agreement and the ADRs is to registered ADR holders. Notice to an ADR holder shall be deemed, for all purposes of the deposit agreement and the ADRs, to constitute notice to any and all beneficial owners of the ADSs evidenced by such ADR holder's ADRs.

Unless certificated ADRs are specifically requested, all ADSs will be issued on the books of our depositary in book-entry form and periodic statements will be mailed to you which reflect your ownership interest in such ADSs. In our description, references to American depositary receipts or ADRs shall include the statements you will receive which reflect your ownership of ADSs.

You may hold ADSs either directly or indirectly through your broker or other financial institution. If you hold ADSs directly, by having an ADS registered in your name on the books of the depository, you are an ADR holder. This description assumes you hold your ADSs directly. If you hold the ADSs through your broker or financial institution nominee, you must rely on the procedures of such broker or financial institution to assert the rights of an ADR holder described in this section. You should consult with your broker or financial institution to find out what those procedures are.

As an ADR holder or beneficial owner, we will not treat you as a shareholder of ours and you will not have any shareholder rights. Cayman Islands law governs shareholder rights. Because the depository or its nominee will be the shareholder of record for the shares represented by all outstanding ADSs, shareholder rights rest with such record holder. Your rights are those of an ADR holder or of a beneficial owner. Such rights derive from the terms of the deposit agreement entered into among us, the depository and all holders and beneficial owners from time to time of ADRs issued under the deposit agreement and, in the case of a beneficial owner, from the arrangements between the beneficial owner and the holder of the corresponding ADRs. The obligations of the depository and its agents are also set out in the deposit agreement. Because the depository or its nominee will actually be the registered owner of the shares, you must rely on it to exercise the rights of a shareholder on your behalf. The deposit agreement, the ADRs and the ADSs are governed by New York law. Under the deposit agreement, as an ADR holder or a beneficial owner of ADSs, you agree that any legal suit, action or proceeding against or involving us or the depository, arising out of or based upon the deposit agreement, the ADSs or the transactions contemplated thereby, may only be instituted in a state or federal court in New York, New York, and you irrevocably waive any objection which you may have to the laying of venue of any such proceeding and irrevocably submit to the exclusive jurisdiction of such courts in any such suit, action or proceeding.

The following is a summary of what we believe to be the material terms of the deposit agreement. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire deposit agreement and the form of ADR which contains the terms of your ADSs. You can read a copy of the deposit agreement which is filed or incorporated by reference as an exhibit to this annual report filed with the SEC. You may also obtain a copy of the deposit agreement at the SEC's Public Reference Room which is currently located at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-732-0330. You may also find the annual report and the attached deposit agreement through the EDGAR system on the SEC's internet website at <http://www.sec.gov>.

Share Dividends and Other Distributions

How will I receive dividends and other distributions on the shares underlying my ADSs?

We may make various types of distributions with respect to our securities. The depository has agreed that, to the extent practicable, it will pay to you the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, after converting any cash received into U.S. dollars (if it determines such conversion may be made on a reasonable basis) and, in all cases, making any necessary deductions provided for in the deposit agreement. The depository may utilize a division, branch or affiliate of JPMorgan Chase Bank, N.A. to direct, manage and/or execute any public and/or private sale of securities under the deposit agreement. Such division, branch and/or affiliate may charge the depository a fee in connection with such sales, which fee is considered an expense of the depository. You will receive these distributions in proportion to the number of underlying securities that your ADSs represent.

Except as stated below, the depository will deliver such distributions to ADR holders in proportion to their interests in the following manner:

- *Cash.* The depositary will distribute any U.S. dollars available to it resulting from a cash dividend or other cash distribution or the net proceeds of sales of any other distribution or portion thereof (to the extent applicable), on an averaged or other practicable basis, subject to (i) appropriate adjustments for taxes withheld, (ii) such distribution being impermissible or impracticable with respect to certain registered ADR holders, and (iii) deduction of the depositary's and/or its agents' expenses in (1) converting any foreign currency to U.S. dollars to the extent that it determines that such conversion may be made on a reasonable basis, (2) transferring foreign currency or U.S. dollars to the United States by such means as the depositary may determine to the extent that it determines that such transfer may be made on a reasonable basis, (3) obtaining any approval or license of any governmental authority required for such conversion or transfer, which is obtainable at a reasonable cost and within a reasonable time and (4) making any sale by public or private means in any commercially reasonable manner. *If exchange rates fluctuate during a time when the depositary cannot convert a foreign currency, you may lose some or all of the value of the distribution.*
- *Shares.* In the case of a distribution in shares, the depositary will issue additional ADRs to evidence the number of ADSs representing such shares. Only whole ADSs will be issued. Any shares which would result in *fractional* ADSs will be sold and the net proceeds will be distributed in the same manner as cash to the ADR holders entitled thereto.
- *Rights to receive additional shares.* In the case of a distribution of rights to subscribe for additional shares or other rights, if we timely provide evidence satisfactory to the depositary that it may lawfully distribute such rights, the depositary will distribute warrants or other instruments in the discretion of the depositary representing such rights. However, if we do not timely furnish such evidence, the depositary may:
 - (i) sell such rights if practicable and distribute the net proceeds in the same manner as cash to the ADR holders entitled thereto; or
 - (ii) if it is not practicable to sell such rights by reason of the non-transferability of the rights, limited markets therefor, their short duration or otherwise, do nothing and allow such rights to lapse, in which case ADR holders will receive nothing and the rights may lapse. We have no obligation to file a registration statement under the Securities Act of 1933 in order to make any rights available to ADR holders.
- *Other Distributions.* In the case of a distribution of securities or property other than those described above, the depositary may either (i) distribute such securities or property in any manner it deems equitable and *practicable* or (ii) to the extent the depositary deems distribution of such securities or property not to be *equitable* and practicable, sell such securities or property and distribute any net proceeds in the same way it distributes cash.

If the depositary determines in its discretion that any distribution described above is not practicable with respect to any specific registered ADR holder, the depositary may choose any method of distribution that it deems practicable for such ADR holder, including the distribution of foreign currency, securities or property, or it may retain such items, without paying interest on or investing them, on behalf of the ADR holder as deposited securities, in which case the ADSs will also represent the retained items.

Any U.S. dollars will be distributed by checks drawn on a bank in the United States for whole dollars and cents. Fractional cents will be withheld without liability and dealt with by the depositary in accordance with its then current practices.

The depositary is not responsible if it fails to determine that any distribution or action is lawful or reasonably practicable.

There can be no assurance that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, shares or other securities at a specified price, nor that any of such transactions can be completed within a specified time period. All purchases and sales of securities will be handled by the depositary in accordance with its then current policies, which are currently set forth on the "Disclosures" page (or successor page) of www.adr.com (as updated by the depositary from time to time, "ADR.com").

Deposit, Withdrawal and Cancellation

How does the depositary issue ADSs?

The depositary will issue ADSs if you or your broker deposit shares or evidence of rights to receive shares with the custodian and pay the fees and expenses owing to the depositary in connection with such issuance.

Shares deposited in the future with the custodian must be accompanied by certain delivery documentation and shall, at the time of such deposit, be registered in the name of JPMorgan Chase Bank, N.A., as depositary for the benefit of holders of ADRs or in such other name as the depositary shall direct.

The custodian will hold all deposited shares (including those being deposited by or on our behalf in connection with the offering to which this prospectus relates) for the account and to the order of the depositary, in each case for the benefit of ADR holders, to the extent not prohibited by law. ADR holders and beneficial owners thus have no direct ownership interest in the shares and only have such rights as are contained in the deposit agreement. The custodian will also hold any additional securities, property and cash received on or in substitution for the deposited shares. The deposited shares and any such additional items are referred to as “deposited securities”.

Deposited securities are not intended to, and shall not, constitute proprietary assets of the depositary, the custodian or their nominees. Beneficial ownership in deposited securities is intended to be, and shall at all times during the term of the deposit agreement continue to be, vested in the beneficial owners of the ADSs representing such deposited securities. Notwithstanding anything else contained herein, in the deposit agreement, in the form of ADR and/or in any outstanding ADSs, the depositary, the custodian and their respective nominees are intended to be, and shall at all times during the term of the deposit agreement be, the record holder(s) only of the deposited securities represented by the ADSs for the benefit of the ADR holders. The depositary, on its own behalf and on behalf of the custodian and their respective nominees, disclaims any beneficial ownership interest in the deposited securities held on behalf of the ADR holders.

Upon each deposit of shares, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, including the payment of the fees and charges of the depositary and any taxes or other fees or charges owing, the depositary will issue an ADR or ADRs in the name or upon the order of the person entitled thereto evidencing the number of ADSs to which such person is entitled. All of the ADSs issued will, unless specifically requested to the contrary, be part of the depositary’s direct registration system, and a registered holder will receive periodic statements from the depositary which will show the number of ADSs registered in such holder’s name. An ADR holder can request that the ADSs not be held through the depositary’s direct registration system and that a certificated ADR be issued.

How do ADR holders cancel an ADS and obtain deposited securities?

When you turn in your ADR certificate at the depositary’s office, or when you provide proper instructions and documentation in the case of direct registration ADSs, the depositary will, upon payment of certain applicable fees, charges and taxes, deliver the underlying shares to you or upon your written order. Delivery of deposited securities in certificated form will be made at the custodian’s office. At your risk, expense and request, the depositary may deliver deposited securities at such other place as you may request.

The depositary may only restrict the withdrawal of deposited securities in connection with:

- temporary delays caused by closing our transfer books or those of the depositary or the deposit of shares in connection with voting at a shareholders’ meeting, or the payment of dividends;
 - the payment of fees, taxes and similar charges; or
-

- compliance with any U.S. or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Record Dates

The depositary may, after consultation with us if practicable, fix record dates (which, to the extent applicable, shall be as near as practicable to any corresponding record dates set by us) for the determination of the registered ADR holders who will be entitled (or obligated, as the case may be):

- to receive any distribution on or in respect of deposited securities,
- to give instructions for the exercise of voting rights at a meeting of holders of shares,
- to pay any fees, expenses or charges assessed by, or owing to, the depositary for administration of the ADR program as provided for in the ADR, or
- to receive any notice or to act or be obligated in respect of other matters, all subject to the provisions of the deposit agreement.

Voting Rights

How do I vote?

If you are an ADR holder and the depositary asks you to provide it with voting instructions, you may instruct the depositary how to exercise the voting rights for the shares which underlie your ADSs. As soon as practicable after receipt from us of notice of any meeting at which the holders of shares are entitled to vote, or of our solicitation of consents or proxies from holders of shares, the depositary shall fix the ADS record date in accordance with the provisions of the deposit agreement, provided that if the depositary receives a written request from us in a timely manner and at least 30 days prior to the date of such vote or meeting, the depositary shall, at our expense and provided no legal prohibition exist, distribute to the registered ADR holders a "voting notice" stating (i) final information particular to such vote and meeting and any solicitation materials, (ii) that each ADR holder on the record date set by the depositary will, subject to any applicable provisions of the laws of the Cayman Islands, be entitled to instruct the depositary as to the exercise of the voting rights, if any, pertaining to the deposited securities represented by the ADSs evidenced by such ADR holder's ADRs and (iii) the manner in which such instructions may be given, including instructions for giving a discretionary proxy to a person designated by us. Each ADR holder shall be solely responsible for the forwarding of voting notices to the beneficial owners of ADSs registered in such ADR holder's name. There is no guarantee that ADR holders and beneficial owners generally or any holder or beneficial owner in particular will receive the notice described above with sufficient time to enable such ADR holder or beneficial owner to return any voting instructions to the depositary in a timely manner.

Following actual receipt by the ADR department responsible for proxies and voting of ADR holders' instructions (including, without limitation, instructions of any entity or entities acting on behalf of the nominee for DTC), the depositary shall, in the manner and on or before the time established by the depositary for such purpose, endeavor to vote or cause to be voted the deposited securities represented by the ADSs evidenced by such ADR holders' ADRs in accordance with such instructions insofar as practicable and permitted under the provisions of or governing the deposited securities.

ADR holders are strongly encouraged to forward their voting instructions to the depositary as soon as possible. For instructions to be valid, the ADR department of the depositary that is responsible for proxies and voting must receive them in the manner and on or before the time specified, notwithstanding that such instructions may have been physically received by the depositary prior to such time. The depositary will not itself exercise any voting discretion in respect of deposited securities. The depositary and its agents will not be responsible for any

failure to carry out any instructions to vote any of the deposited securities, for the manner in which any voting instructions are given, including instructions to give a discretionary proxy to a person designated by us, for the manner in which any vote is cast, including, without limitation, any vote cast by a person to whom the depositary is instructed to grant a discretionary proxy, or for the effect of any such vote. Notwithstanding anything contained in the deposit agreement or any ADR, the depositary may, to the extent not prohibited by any law, rule or regulation, or by the rules, regulations or requirements of any stock exchange on which the ADSs are listed, in lieu of distribution of the materials provided to the depositary in connection with any meeting of, or solicitation of consents or proxies from, holders of deposited securities, distribute to the registered holders of ADRs a notice that provides such ADR holders with, or otherwise publicizes to such ADR holders, instructions on how to retrieve such materials or receive such materials upon request (*i.e.*, by reference to a website containing the materials for retrieval or a contact for requesting copies of the materials).

We have advised the depositary that under Cayman Islands law and our constituent documents, each as in effect as of the date of the deposit agreement, voting at any meeting of shareholders is by show of hands unless a poll is (before or on the declaration of the results of the show of hands) demanded. In the event that voting on any resolution or matter is conducted on a show of hands basis in accordance with our constituent documents, the depositary will refrain from voting and the voting instructions received by the depositary from ADR holders shall lapse. The depositary will not demand a poll or join in demanding a poll, whether or not requested to do so by ADR holders or beneficial owners.

There is no guarantee that you will receive voting materials in time to instruct the depositary to vote and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

Reports and Other Communications

Will ADR holders be able to view your reports?

The depositary will make available for inspection by ADR holders at the offices of the depositary and the custodian the deposit agreement, the provisions of or governing deposited securities, and any written communications from us which are both received by the custodian or its nominee as a holder of deposited securities and made generally available to the holders of deposited securities.

Additionally, if we make any written communications generally available to holders of our shares, and we furnish copies thereof (or English translations or summaries) to the depositary, it will distribute the same to registered ADR holders.

Fees and Expenses

What fees and expenses will you be responsible for paying?

The depositary may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities or whose ADRs are cancelled or reduced for any other reason, \$5.00 for each 100 ADSs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, as the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of a share distribution, rights and/or other distribution prior to such deposit to pay such charge.

The following additional charges shall also be incurred by the ADR holders, the beneficial owners, by any party depositing or withdrawing shares or by any party surrendering ADSs and/or to whom ADSs are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the ADSs or the deposited securities or a distribution of ADSs), whichever is applicable:

- a fee of US\$0.05 or less per ADS upon which any cash distribution is made pursuant to the deposit agreement;
- an aggregate fee of US\$0.05 or less per ADS per calendar year (or portion thereof) for services performed by the depositary in administering the ADRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders of ADRs as of the record date or record dates set by the depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);
- a fee for the reimbursement of such fees, charges and expenses as are incurred by the depositary and/or any of its agents (including, without limitation, the custodian and expenses incurred on behalf of ADR holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the shares or other deposited securities, the sale of securities (including, without limitation, deposited securities), the delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable law, rule or regulation (which fees and charges shall be assessed on a proportionate basis against ADR holders as of the record date or dates set by the depositary and shall be payable at the sole discretion of the depositary by billing such ADR holders or by deducting such charge from one or more cash dividends or other cash distributions);
- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the US\$0.05 per ADS issuance fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those ADR holders entitled thereto;
- stock transfer or other taxes and other governmental charges;
- cancellation transaction (including SWIFT, telex and facsimile transmission) fees and delivery expenses incurred at your request in connection with the deposit or delivery of Class A ordinary shares, ADRs or deposited securities as disclosed on the "Disclosures" page (or successor page) of ADR.com (which are payable by such persons or holders);
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities; and
- fees of any division, branch or affiliate of the depositary utilized by the depositary to direct, manage and/or execute any public and/or private sale of securities under the deposit agreement.

To facilitate the administration of various depositary receipt transactions, including disbursement of dividends or other cash distributions and other corporate actions, the depositary may engage the foreign exchange desk within the depositary and/or its affiliates in order to enter into spot foreign exchange transactions to convert foreign currency into U.S. dollars. For certain currencies, foreign exchange transactions are entered into with the depositary or an affiliate, as the case may be, acting in a principal capacity. For other currencies, foreign exchange transactions are routed directly to and managed by an unaffiliated local custodian (or other third party local liquidity provider), and neither the depositary nor any of its affiliates is a party to such foreign exchange transactions.

The foreign exchange rate applied to a foreign exchange transaction will be either (a) a published benchmark rate, or (b) a rate determined by a third party local liquidity provider, in each case plus or minus a spread, as applicable. The depositary will disclose which foreign exchange rate and spread, if any, apply to such currency on the "Disclosures" page (or successor page) of ADR.com. Such applicable foreign exchange rate and spread may (and neither the depositary nor any of its affiliates is under any obligation to ensure that such rate does not) differ from rates and spreads at which comparable transactions are entered into with other customers or the

range of foreign exchange rates and spreads at which the depositary or any of its affiliates enters into foreign exchange transactions in the relevant currency pair on the date of the foreign exchange transaction. Additionally, the timing of execution of a foreign exchange transaction varies according to local market dynamics, which may include regulatory requirements, market hours and liquidity in the foreign exchange market or other factors. Furthermore, the depositary and its affiliates may manage the associated risks of their position in the market in a manner they deem appropriate without regard to the impact of such activities on the depositary, us, holders or beneficial owners. The spread applied does not reflect any gains or losses that may be earned or incurred by the depositary and its affiliates as a result of risk management or other hedging related activity.

Notwithstanding the foregoing, to the extent we provide U.S. dollars to the depositary, neither the depositary nor any of its affiliates will execute a foreign exchange transaction as set forth herein. In such case, the depositary will distribute the U.S. dollars received from us.

Further details relating to the applicable foreign exchange rate, the applicable spread and the execution of foreign exchange transactions will be provided by the depositary on ADR.com. Each holder and beneficial owner by holding or owning an ADR or ADS or an interest therein, and we, each acknowledge and agree that the terms applicable to foreign exchange transactions disclosed from time to time on ADR.com will apply to any foreign exchange transaction executed pursuant to the deposit agreement.

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary.

The right of the depositary to charge and receive payment of fees, charges and expenses survives the termination of the deposit agreement, and shall extend for those fees, charges and expenses incurred prior to the effectiveness of any resignation or removal of the depositary.

The fees and charges described above may be amended from time to time by agreement between us and the depositary.

The depositary may make available to us a set amount or a portion of the depositary fees charged in respect of the ADR program or otherwise upon such terms and conditions as we and the depositary may agree from time to time. The depositary collects its fees for issuance and cancellation of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions, or by directly billing investors, or by charging the book-entry system accounts of participants acting for them. The depositary will generally set off the amounts owing from distributions made to holders of ADSs. If, however, no distribution exists and payment owing is not timely received by the depositary, the depositary may refuse to provide any further services to ADR holders that have not paid those fees and expenses owing until such fees and expenses have been paid. At the discretion of the depositary, all fees and charges owing under the deposit agreement are due in advance and/or when declared owing by the depositary.

Payment of Taxes

ADR holders or beneficial owners must pay any tax or other governmental charge payable by the custodian or the depositary on any ADS or ADR, deposited security or distribution. If any taxes or other governmental charges (including any penalties and/or interest) shall become payable by or on behalf of the custodian or the depositary with respect to any ADR, any deposited securities represented by the ADSs evidenced thereby or any distribution thereon, including, without limitation, any Chinese Enterprise Income Tax owing if the Circular Guoshuifa [2009] No. 82 issued by the Chinese State Administration of Taxation (SAT) or any other circular, edict, order or ruling, as issued and as from time to time amended, is applied or otherwise, such tax or other governmental charge shall be paid by the ADR holder thereof to the depositary and by holding or owning, or having held or owned, an ADR or any ADSs evidenced thereby, the ADR holder and all beneficial owners thereof, and all prior ADR holders and

beneficial owners thereof, jointly and severally, agree to indemnify, defend and save harmless each of the depositary and its agents in respect of such tax or governmental charge.

Each holder and beneficial owner of ADSs and ADRs, and each prior holder and beneficial owner of ADSs and ADRs (collectively, the "Tax Indemnitors"), by holding or having held an ADR or an interest in an ADS, acknowledges and agrees that the depositary shall have the right to seek payment of amounts owing for tax and other governmental charges from any one or more Tax Indemnitor(s), as determined by the depositary in its sole discretion, without any obligation to seek payment from any other Tax Indemnitor(s). If an ADR holder owes any tax or other governmental charge, the depositary may (i) deduct the amount thereof from any cash distributions, or (ii) sell deposited securities (by public or private sale) and deduct the amount owing from the net proceeds of such sale. In either case the ADR holder remains liable for any shortfall. If any tax or governmental charge is unpaid, the depositary may also refuse to effect any registration, registration of transfer, split-up or combination of deposited securities or withdrawal of deposited securities until such payment is made. If any tax or governmental charge is required to be withheld on any cash distribution, the depositary may deduct the amount required to be withheld from any cash distribution or, in the case of a non-cash distribution, sell the distributed property or securities (by public or private sale) in such amounts and in such manner as the depositary deems necessary and practicable to pay such taxes and distribute any remaining net proceeds or the balance of any such property after deduction of such taxes to the ADR holders entitled thereto.

As an ADR holder or beneficial owner, you will be agreeing to indemnify us, the depositary, its custodian and any of our or their respective officers, directors, employees, agents and affiliates against, and hold each of them harmless from, any claims by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced rate of withholding at source or other tax benefit obtained, which obligations shall survive any transfer of ADSs, any surrender of ADSs and withdrawal of deposited securities and any termination of the deposit agreement.

Reclassifications, Recapitalizations and Mergers

If we take certain actions that affect the deposited securities, including (i) any change in par value, split-up, consolidation, cancellation or other reclassification of deposited securities or (ii) any distributions of shares or other property not made to holders of ADRs or (iii) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all of our assets, then the depositary may choose to, and shall if reasonably requested by us:

- amend the form of ADR;
- distribute additional or amended ADRs;
- distribute cash, securities or other property it has received in connection with such actions;
- sell any securities or property received and distribute the proceeds as cash; or
- none of the above.

If the depositary does not choose any of the above options, any of the cash, securities or other property it receives will constitute part of the deposited securities and each ADS will then represent a proportionate interest in such property.

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the ADSs without your consent for any reason. ADR holders must be given at least 30 days' notice of any amendment that imposes or increases any fees, charges or expenses (other than stock transfer or other taxes and other governmental charges, transfer or

registration fees, SWIFT, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or otherwise prejudices any substantial existing right of ADR holders or beneficial owners. Such notice need not describe in detail the specific amendments effectuated thereby, but must identify to ADR holders and beneficial owners a means to access the text of such amendment. If an ADR holder continues to hold an ADR or ADRs after being so notified, such ADR holder and any beneficial owner are deemed to agree to such amendment and to be bound by the deposit agreement as so amended. No amendment, however, will impair your right to surrender your ADSs and receive the underlying securities, except in order to comply with mandatory provisions of applicable law.

Any amendments or supplements which (i) are reasonably necessary (as agreed by us and the depository) in order for (a) the ADSs to be registered on Form F-6 under the Securities Act of 1933 or (b) the ADSs or shares to be traded solely in electronic book-entry form and (ii) do not in either such case impose or increase any fees or charges to be borne by ADR holders, shall be deemed not to prejudice any substantial rights of ADR holders or beneficial owners. Notwithstanding the foregoing, if any governmental body or regulatory body should adopt new laws, rules or regulations which would require amendment or supplement of the deposit agreement or the form of ADR to ensure compliance therewith, we and the depository may amend or supplement the deposit agreement and the ADR at any time in accordance with such changed laws, rules or regulations. Such amendment or supplement to the deposit agreement in such circumstances may become effective before a notice of such amendment or supplement is given to ADR holders or within any other period of time as required for compliance.

Notice of any amendment to the deposit agreement or form of ADRs shall not need to describe in detail the specific amendments effectuated thereby, and failure to describe the specific amendments in any such notice shall not render such notice invalid, provided, however, that, in each such case, the notice given to the ADR holders identifies a means for ADR holders and beneficial owners to retrieve or receive the text of such amendment (*i.e.*, upon retrieval from the SEC's, the depository's or our website or upon request from the depository).

How may the deposit agreement be terminated?

The depository may, and shall at our written direction, terminate the deposit agreement and the ADRs by mailing notice of such termination to the registered holders of ADRs at least 30 days prior to the date fixed in such notice for such termination; provided, however, if the depository shall have (i) resigned as depository under the deposit agreement, notice of such termination by the depository shall not be provided to registered ADR holders unless a successor depository shall not be operating under the deposit agreement within 60 days of the date of such resignation, and (ii) been removed as depository under the deposit agreement, notice of such termination by the depository shall not be provided to registered holders of ADRs unless a successor depository shall not be operating under the deposit agreement on the 60th day after our notice of removal was first provided to the depository. Notwithstanding anything to the contrary herein, the depository may terminate the deposit agreement without notifying us, but subject to giving 30 days' notice to the ADR holders, under the following circumstances: (i) in the event of our bankruptcy or insolvency, (ii) if we effect (or will effect) a redemption of all or substantially all of the deposited securities, or a cash or share distribution representing a return of all or substantially all of the value of the deposited securities, or (iii) there occurs a merger, consolidation, sale of assets or other transaction as a result of which securities or other property are delivered in exchange for or in lieu of deposited securities.

After the date fixed for termination, (a) all direct registration ADRs shall cease to be eligible for the direct registration system and shall be considered ADRs issued on the ADR register maintained by the depository and (b) the depository shall use its reasonable efforts to ensure that the ADSs cease to be DTC eligible so that neither DTC nor any of its nominees shall thereafter be a holder of ADRs. At such time as the ADSs cease to be DTC eligible and/or neither DTC nor any of its nominees is a holder of ADRs, the depository shall (a) instruct its custodian to deliver all shares and/or deposited securities to us along with a general stock power that refers to the names set forth on the ADR register maintained by the depository and (b) provide us with a copy of the ADR register maintained by the depository. Upon receipt of such shares and/or deposited securities and the ADR register maintained by the depository, we have agreed to use our best efforts to issue to each registered ADR holder a share certificate representing the shares represented by the ADSs reflected on the ADR register maintained by the depository in such registered ADR holder's name and to deliver such share certificate to the registered ADR holder at the address set

forth on the ADR register maintained by the depository. After providing such instruction to the custodian and delivering a copy of the ADR register to us, the depository and its agents will perform no further acts under the deposit agreement or the ADRs and shall cease to have any obligations under the deposit agreement and/or the ADRs. After we receive the copy of the ADR register and the shares and/or deposited securities from the depository, we shall be discharged from all obligations under the deposit agreement except (i) to distribute the shares to the registered ADR holders entitled thereto and (ii) for its obligations to the depository and its agents.

Notwithstanding anything to the contrary, in connection with any such termination, the depository may, in its sole discretion and without notice to us, establish an unsponsored American depositary share program (on such terms as the depository may determine) for our shares and make available to ADR holders a means to withdraw the shares represented by the ADSs issued under the deposit agreement and to direct the deposit of such shares into such unsponsored American depositary share program, subject, in each case, to receipt by the depository, at its discretion, of the fees, charges and expenses provided for under the deposit agreement and the fees, charges and expenses applicable to the unsponsored American depositary share program.

Limitations on Obligations and Liability to ADR holders

Limits on our obligations and the obligations of the depository; limits on liability to ADR holders and holders of ADSs

Prior to the issue, registration, registration of transfer, split-up, combination, or cancellation of any ADRs, or the delivery of any distribution in respect thereof, and from time to time in the case of the production of proofs as described below, we or the depository or its custodian may require:

- payment with respect thereto of (i) any stock transfer or other tax or other governmental charge, (ii) any stock transfer or registration fees in effect for the registration of transfers of shares or other deposited securities upon any applicable register and (iii) any applicable fees and expenses described in the deposit agreement;
- the production of proof satisfactory to it of (i) the identity of any signatory and genuineness of any signature and (ii) such other information, including without limitation, information as to citizenship, residence, exchange control approval, beneficial or other ownership of, or interest in, any securities, compliance with applicable law, regulations, provisions of or governing deposited securities and terms of the deposit agreement and the ADRs, as it may deem necessary or proper; and
- compliance with such regulations as the depository may establish consistent with the deposit agreement or as the depository reasonably believes are required in order to enable compliance with applicable laws, rules and regulations.

The issuance of ADRs, the acceptance of deposits of shares, the registration, registration of transfer, split-up or combination of ADRs or the withdrawal of shares, may be suspended, generally or in particular instances, when the ADR register or any register for deposited securities is closed or when any such action is deemed advisable by the depository; provided that the ability to withdraw shares may only be limited under the following circumstances: (i) temporary delays caused by closing transfer books of the depository or our transfer books or the deposit of shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes, and similar charges, and (iii) compliance with any laws or governmental regulations relating to ADRs or to the withdrawal of deposited securities.

The deposit agreement expressly limits the obligations and liability of the depository, the depository's custodian or ourselves and each of our and their respective agents, provided, however, that no provision of the deposit agreement is intended to constitute a waiver or limitation of any rights which ADR holders or beneficial owners of ADSs may have under the Securities Act of 1933 or the Securities Exchange Act of 1934, to the extent applicable. The deposit agreement provides that each of us, the depository and our respective agents will:

- incur no liability to holders or beneficial owners if any present or future law, rule, regulation, fiat, order or decree of the United States, the Cayman Islands, the People's Republic of China (including the Hong Kong Special Administrative Region, the People's Republic of China) or any other country or jurisdiction, or of any governmental or regulatory authority or securities exchange or market or automated quotation system, the provisions of or governing any deposited securities, any present or future provision of our charter, any act of God, war, terrorism, nationalization, expropriation, currency restrictions, work stoppage, strike, civil unrest, revolutions, rebellions, explosions, computer failure or circumstance beyond our, the depository's or our respective agents' direct and immediate control shall prevent or delay, or shall cause any of them to be subject to any civil or criminal penalty in connection with, any act which the deposit agreement or the ADRs provide shall be done or performed by us, the depository or our respective agents (including, without limitation, voting);
- incur no liability to holders or beneficial owners by reason of any non-performance or delay, caused as aforesaid, in the performance of any act or things which by the terms of the deposit agreement it is provided shall or may be done or performed or any exercise or failure to exercise discretion under the deposit agreement or the ADRs including, without limitation, any failure to determine that any distribution or action may be lawful or reasonably practicable;
- not incur or assume any liability to holders or beneficial owners if it performs its obligations under the deposit agreement and ADRs without gross negligence or willful misconduct;
- not be liable to holders or beneficial owners for any action or inaction by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting shares for deposit, any registered holder of ADRs, any other person believed by it to be competent to give such advice or information, or in the case of the depository only, us; or
- may rely and shall be protected in acting upon any written notice, request, direction, instruction or document believed by it to be genuine and to have been signed, presented or given by the proper party or parties.

Neither the depository nor its agents have any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities, the ADSs or the ADRs. We and our agents shall only be obligated to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities, the ADSs or the ADRs, which in our opinion may involve us in expense or liability, if indemnity satisfactory to us against all expense (including fees and disbursements of counsel) and liability is furnished as often as may be required. The depository and its agents may fully respond to any and all demands or requests for information maintained by or on its behalf in connection with the deposit agreement, any registered holder or holders of ADRs, any ADRs or otherwise related to the deposit agreement or ADRs to the extent such information is requested or required by or pursuant to any lawful authority, including without limitation laws, rules, regulations, administrative or judicial process, banking, securities or other regulators. The depository shall not be liable for the acts or omissions made by, or the insolvency of, any share registrar, share transfer agent, securities depository, clearing agency or settlement system. Furthermore, the depository shall not be responsible for, and shall incur no liability in connection with or arising from, the insolvency of any custodian that is not a branch or affiliate of JPMorgan Chase Bank, N.A. Notwithstanding anything to the contrary contained in the deposit agreement or any ADRs, the depository shall not be responsible for, and shall incur no liability in connection with or arising from, any act or omission to act on the part of the custodian except to the extent that any registered ADR holder has incurred liability directly as a result of the custodian having (i) committed fraud or willful misconduct in the provision of custodial services to the depository or (ii) failed to use reasonable care in the provision of custodial services to the depository as determined in accordance with the standards prevailing in the jurisdiction in which the custodian is located. The depository and the custodian(s) may use third party delivery services and providers of information regarding matters such as pricing, proxy voting, corporate actions, class action litigation and other services in connection with the ADRs and the deposit agreement, and use local agents to provide services such as, but not limited to, attendance at any meetings of security holders. Although the depository and the custodian will use reasonable care (and cause their

agents to use reasonable care) in the selection and retention of such third party providers and local agents, they will not be responsible for any errors or omissions made by them in providing the relevant information or services. The depositary shall not have any liability for the price received in connection with any sale of securities, the timing thereof or any delay in action or omission to act nor shall it be responsible for any error or delay in action, omission to act, default or negligence on the part of the party so retained in connection with any such sale or proposed sale.

The depositary has no obligation to inform ADR holders or beneficial owners about the requirements of the laws, rules or regulations or any changes therein or thereto of any country or jurisdiction or of any governmental or regulatory authority or any securities exchange or market or automated quotation system.

Additionally, none of the depositary, the custodian or us shall be liable for the failure by any registered holder of ADRs or beneficial owner therein to obtain the benefits of credits or refunds of non-U.S. tax paid against such ADR holder's or beneficial owner's income tax liability. The depositary is under no obligation to provide the ADR holders and beneficial owners, or any of them, with any information about our tax status. The depositary and we shall not incur any liability for any tax or tax consequences that may be incurred by registered ADR holders and beneficial owners on account of their ownership or disposition of ADRs or ADSs.

Neither the depositary nor its agents will be responsible for any failure to carry out any instructions to vote any of the deposited securities, for the manner in which any vote is cast or for the effect of any such vote. The depositary may rely upon instructions from us or our counsel in respect of any approval or license required for any currency conversion, transfer or distribution. The depositary shall not incur any liability for the content of any information submitted to it by us or on our behalf for distribution to ADR holders or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the deposited securities, for the validity or worth of the deposited securities, for the credit-worthiness of any third party, for allowing any rights to lapse upon the terms of the deposit agreement or for the failure or timeliness of any notice from us. The depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the depositary or in connection with any matter arising wholly after the removal or resignation of the depositary. Neither the depositary nor any of its agents shall be liable to holders and beneficial owners of ADSs and ADRs for any indirect, special, punitive or consequential damages (including, without limitation, legal fees and expenses) or lost profits, in each case of any form incurred by any person or entity (including, without limitation, holders or beneficial owners of ADRs and ADSs), whether or not foreseeable and regardless of the type of action in which such a claim may be brought.

In the deposit agreement each party thereto (including, for avoidance of doubt, each ADR holder and beneficial owner) irrevocably waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in any suit, action or proceeding against the depositary and/or us directly or indirectly arising out of or relating to the shares or other deposited securities, the ADSs or the ADRs, the deposit agreement or any transaction contemplated therein, or the breach thereof (whether based on contract, tort, common law or any other theory), including, without limitation, any suit, action or proceeding under the United States federal securities laws. No provision of the deposit agreement or the ADRs is intended to constitute a waiver or limitation of any rights which an ADR holder or any beneficial owner may have under the Securities Act of 1933 or the Securities Exchange Act of 1934, to the extent applicable.

The depositary and its agents may own and deal in any class of securities of our company and our affiliates and in ADRs.

Disclosure of Interest in ADSs

To the extent that the provisions of or governing any deposited securities may require disclosure of or impose limits on beneficial or other ownership of, or interests in, deposited securities, other shares and other securities and may provide for blocking transfer, voting or other rights to enforce such disclosure or limits, you as ADR holders or beneficial owners agree to comply with all such disclosure requirements and ownership limitations and to comply with any reasonable instructions we may provide in respect thereof. In the deposit agreement, we reserve the right to instruct holders of ADSs and ADRs (and through any such holder, the beneficial owners of ADSs evidenced by the ADRs registered in such holder's name) to deliver their ADSs for cancellation and

withdrawal of the deposited securities so as to permit us to deal directly with the holder and/or beneficial owner thereof as a holder of shares and holders and beneficial owners of ADSs and ADRs agree to comply with such instructions. In the deposit agreement, the depositary agreed to cooperate with us in our efforts to inform holders of our exercise of such rights and agreed to consult with, and provide reasonable assistance without risk, liability or expense on the part of the depositary, to us on the manner or manners in which we may enforce such rights with respect to any holder of ADSs and ADRs, provided, however, for the avoidance of doubt, the depositary shall be indemnified by us in connection with the foregoing.

Books of Depositary

The depositary or its agent will maintain a register for the registration, registration of transfer, combination and split-up of ADRs, which register shall include the depositary's direct registration system. Registered holders of ADRs may inspect such records at the depositary's office at all reasonable times, but solely for the purpose of communicating with other ADR holders in the interest of the business of our company or a matter relating to the deposit agreement. Such register (and/or any portion thereof) may be closed at any time or from time to time, when deemed expedient by the depositary. Additionally, at the reasonable request of us, the depositary may close the issuance book portion of the ADR register in order to enable us to comply with applicable law; provided that the depositary shall have no liability and shall be indemnified by us in such event.

The depositary will maintain facilities for the delivery and receipt of ADRs.

Appointment

In the deposit agreement, each registered holder of ADRs and each beneficial owner, upon acceptance of any ADSs or ADRs (or any interest in any of them) issued in accordance with the terms and conditions of the deposit agreement will be deemed for all purposes to:

- be a party to and bound by the terms of the deposit agreement and the applicable ADR or ADRs;
 - appoint the depositary its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the deposit agreement and the applicable ADR or ADRs, to adopt any and all procedures necessary to comply with applicable laws and to take such action as the depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of the deposit agreement and the applicable ADR and ADRs, the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof; and acknowledge and agree that (i) nothing in the deposit agreement or any ADR shall give rise to a partnership or joint venture among the parties thereto nor establish a fiduciary or similar relationship among such parties, (ii) the depositary, its divisions, branches and affiliates, and their respective agents, may from time to time be in the possession of non-public information about us, ADR holders, beneficial owners and/or their respective affiliates, (iii) the depositary and its divisions, branches and affiliates may at any time have multiple banking relationships with us, ADR holders, beneficial owners and/or the affiliates of any of them, (iv) the depositary and its divisions, branches and affiliates may, from time to time, be engaged in transactions in which parties adverse to us or ADR holders or beneficial owners may have interests, (v) nothing contained in the deposit agreement or any ADR(s)
 - shall (A) preclude the depositary or any of its divisions, branches or affiliates from engaging in such transactions or establishing or maintaining such relationships, or (B) obligate the depositary or any of its divisions, branches or affiliates to disclose such transactions or relationships or to account for any profit made or payment received in transactions or relationships, (vi) the depositary shall not be deemed to have knowledge of any information held by any branch, division or affiliate of the depositary and (vii) notice to an ADR holder shall be deemed, for all purposes of the deposit agreement and the ADRs, to constitute notice to any and all beneficial owners of the ADSs evidenced by such ADR holder's ADRs. For all purposes under the deposit agreement and the ADRs, the ADR holders thereof shall be deemed to have all requisite authority to act on behalf of any and all beneficial owners of the ADSs evidenced by such ADRs.
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Governing Law

The deposit agreement, the ADSs and the ADRs are governed by and construed in accordance with the internal laws of the State of New York. In the deposit agreement, we have submitted to the non-exclusive jurisdiction of the courts of the State of New York and appointed an agent for service of process on our behalf. Any action based on the deposit agreement, the ADSs, the ADRs or the transactions contemplated therein or thereby may also be instituted by the depository against us in any competent court in the Cayman Islands, Hong Kong, the People's Republic of China and/or the United States.

Under the deposit agreement, by holding an ADS or an interest therein, ADR holders and beneficial owners each irrevocably agree that any legal suit, action or proceeding against or involving ADR holders or beneficial owners brought by us or the depository, arising out of or based upon the deposit agreement, the ADSs or the ADRs or the transactions contemplated thereby, may be instituted in a state or federal court in New York, New York, irrevocably waive any objection which you may have to the laying of venue of any such proceeding, and irrevocably submit to the non-exclusive jurisdiction of such courts in any such suit, action or proceeding. By holding an ADS or an interest therein, ADR holders and beneficial owners each also irrevocably agree that any legal suit, action or proceeding against or involving us or the depository brought by ADR holders or beneficial owners, arising out of or based upon the deposit agreement, the ADSs or the ADRs or the transactions contemplated thereby, including, without limitation, claims under the Securities Act of 1933, may only be instituted in a state or federal court in New York, New York, irrevocably waive any objection which you may have to the laying of venue of any such proceeding, and irrevocably submit to the exclusive jurisdiction of such courts in any such suit, action or proceeding.

Notwithstanding the foregoing, in the deposit agreement each of the parties thereto (i.e., us, the depository and all ADR holders and beneficial owners of ADSs and ADRs from time to time (and any persons owning or holding interests in ADSs)) have agreed that: (i) the depository may, in its sole discretion, elect to institute any dispute, suit, action, controversy, claim or proceeding directly or indirectly based on, arising out of or relating to the deposit agreement, the ADSs or the ADRs or the transactions contemplated thereby, including without limitation any question regarding its or their existence, validity, interpretation, performance or termination, against any other party or parties to the deposit agreement (including, without limitation, those brought by ADR holders and beneficial owners of interests in ADSs) by having it referred to and finally resolved by an arbitration conducted under the terms set out below, and (ii) the depository may in its sole discretion require, by written notice to the relevant party or parties, that any such dispute, suit, action, controversy, claim or proceeding brought by any party or parties to the deposit agreement (including, without limitation, those brought by ADR holders and beneficial owners of interests in ADSs) against the depository be referred to and finally settled by an arbitration conducted under the terms set out in the deposit agreement; provided however, notwithstanding the depository's written notice under this clause (ii), to the extent there are specific federal securities law violation aspects to any claims against us and/or the depository brought by any ADR holder or beneficial owner of an interest in ADSs, the federal securities law violation aspects of such claims brought by an ADR holder and/or beneficial owner of an interest in ADSs against us and/or the depository may, at the option of such ADR holder and/or beneficial owner of an interest in ADSs, remain in state or federal court in New York, New York and all other aspects, claims, disputes, suits, actions, controversies, claims and/or proceedings brought by such ADR holder and/or beneficial owner of an interest in ADSs against us and/or the depository, including those brought along with, or in addition to, federal securities law violation claims, would be referred to arbitration in accordance with the deposit agreement.

Any such arbitration shall, at the depository's election, be conducted either in New York, New York in accordance with the Commercial Arbitration Rules of the American Arbitration Association or in Hong Kong following the arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL) with the Hong Kong International Arbitration Centre serving as the appointing authority, in each case as amended by the provisions of the deposit agreement, and the language of any such arbitration shall be English, in each case as provided in the deposit agreement. Judgment upon the award rendered by the arbitration may be entered in any court having jurisdiction thereof.

Jury Trial Waiver

In the deposit agreement, each party thereto (including, for the avoidance of doubt, each holder and beneficial owner of, and/or holder of interests in, ADSs or ADRs) irrevocably waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in any suit, action or proceeding against the depository and/or us directly or indirectly arising out of or relating to the shares or other deposited securities, the ADSs or the ADRs, the deposit agreement or any transaction contemplated therein, or the breach thereof (whether based on contract, tort, common law or any other theory), including, without limitation, any suit, action or proceeding under the U.S. federal securities laws. No provision of the deposit agreement or any ADR is intended to constitute a waiver or limitation of any rights which holders or beneficial owners of ADSs and ADRs may have under the Securities Act or the Securities Exchange Act of 1934, to the extent applicable.

If we or the depository were to oppose a jury trial demand based on such waiver, the court would determine whether the waiver was enforceable in the facts and circumstances of that case in accordance with applicable state and federal law, including whether a party knowingly, intelligently and voluntarily waived the right to a jury trial. The waiver to right to a jury trial in the deposit agreement is not intended to be deemed a waiver by any holder or beneficial owner of ADSs of our or the depository's compliance with the U.S. federal securities laws and the rules and regulations promulgated thereunder.

Conversion between ADSs and Class A Ordinary Shares (Item 12.D.1 and 12.D.4 of Form 20-F)

Dealings and Settlement of Class A Ordinary Shares in Hong Kong

Our Class A ordinary shares trade on the Hong Kong Stock Exchange in board lots of 100 Class A ordinary shares. Dealings in our Class A ordinary shares on the Hong Kong Stock Exchange are conducted in Hong Kong dollars.

The transaction costs of dealings in our Class A ordinary shares on the Hong Kong Stock Exchange include:

- Hong Kong Stock Exchange trading fee of 0.005% of the consideration of the transaction, charged to each of the buyer and seller;
 - Securities and Futures Commission of Hong Kong, or SFC, transaction levy of 0.0027% of the consideration of the transaction, charged to each of the buyer and seller;
 - trading tariff of HK\$0.50 on each and every purchase or sale transaction. The decision on whether or not to pass the trading tariff onto investors is at the discretion of brokers;
 - transfer deed stamp duty of HK\$5.00 per transfer deed (if applicable), payable by the seller;
 - ad valorem stamp duty at a total rate of 0.2% of the value of the transaction, with 0.1% payable by each of the buyer and the seller;
 - stock settlement fee, which is currently 0.002% of the gross transaction value, subject to a minimum fee of HK\$2.00 and a maximum fee of HK\$100.00 per side per trade;
 - brokerage commission, which is freely negotiable with the broker (other than brokerage commissions for IPO transactions which are currently set at 1% of the subscription or purchase price and will be payable by the person subscribing for or purchasing the securities); and
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- the Hong Kong share registrar's service fee of HK\$2.50 or 0.05% of the market value depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of ordinary shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong.

Investors must settle their trades executed on the Hong Kong Stock Exchange through their brokers directly or through custodians. For an investor who has deposited his or her Class A ordinary shares in his or her stock account or in his or her designated Central Clearing and Settlement System, or CCASS, participant's stock account maintained with CCASS, settlement will be effected in CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. For an investor who holds the physical certificates, settlement certificates and the duly executed transfer forms must be delivered to his broker or custodian before the settlement date.

Conversion between Class A Ordinary Shares Trading in Hong Kong and ADSs

In connection with our Hong Kong IPO, we have established a branch register of members in Hong Kong, or the Hong Kong share register, which will be maintained by our Hong Kong share registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members, or the Cayman share register, will continue to be maintained by our principal share registrar, Vistra (Cayman) Limited.

All Class A ordinary shares offered in the Hong Kong IPO have been registered on the Hong Kong share register in order to be listed and traded on the Hong Kong Stock Exchange. As described in further detail below, holders of Class A ordinary shares registered on the Hong Kong share register will be able to convert these Class A ordinary shares into ADSs, and vice versa.

As a result of Hong Kong IPO, all deposits of Class A ordinary shares for the issuance of ADSs and all withdrawals of Class A ordinary shares upon the cancellation of ADSs will be in the form of Class A ordinary shares registered on our Hong Kong Class A ordinary share register and all corporate actions with respect thereto will be processed via the depository's custodian account at JPMorgan Chase Bank, N.A. Hong Kong Branch, within the CCASS system, subject to the rules and procedures applicable to JPMorgan Chase Bank, N.A. Hong Kong Branch - eligible securities, subject, in each case, to certain exceptions described below and provided that the foregoing shall not apply to certain of our restricted Class A ordinary shares and other Class A ordinary shares as determined by us and the depository, which will be via our principal register in the Cayman Islands.

Our ADSs

Our ADSs are traded on The Nasdaq Global Select Market. Dealings in our ADSs on The Nasdaq Global Select Market are conducted in U.S. Dollars. ADSs may be held either:

- directly, by having a certificated ADS, or an ADR, registered in the holder's name, or by holding a "Direct Registration ADR" in book-entry form in the "Direct Registration System," the system established by the Depository Trust Company, or DTC, for the uncertificated registration of ownership of securities utilized by the depository to record the ownership of ADRs without the issuance of certificates, in which case the ownership is evidenced by periodic statements issued by the depository to the holders of ADRs entitled thereto; or
- indirectly, through the holder's broker or other financial institution.

The depository for our ADSs is JP Morgan Chase Bank, N.A., whose office is located at 383 Madison Avenue, Floor 1, New York, New York, 10179.

Converting Class A Ordinary Shares Trading in Hong Kong into ADSs

An investor who holds Class A ordinary shares registered in Hong Kong and who intends to convert them to ADSs to trade on The Nasdaq Global Select Market must deposit or have his or her broker deposit the Class A ordinary shares with the depository's Hong Kong custodian, JP Morgan Chase Bank, N.A., Hong Kong Branch, or the custodian, in exchange for ADSs.

A deposit of Class A ordinary shares trading in Hong Kong in exchange for ADSs involves the following procedures:

- If Class A ordinary shares have been deposited with CCASS, the investor must transfer Class A ordinary shares to the depository's account with the custodian within CCASS by following the CCASS procedures for transfer and submit and deliver a duly completed and signed letter of transmittal to the custodian and the depository via his or her broker.
- If Class A ordinary shares are held outside CCASS, the investor must arrange to deposit his or her Class A ordinary shares into CCASS for delivery to the depository's account with the custodian within CCASS, and submit and deliver a duly completed and signed letter of transmittal to the custodian and depository.
- Upon payment of its fees and expenses, payment or net of the depository's fees and expenses, and payment of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, and subject in all cases to the terms of the deposit agreement, the depository will issue the corresponding number of ADSs in the name(s) requested by an investor and will deliver the ADSs to the designated DTC account of the person(s) designated by an investor (if such ADSs are to be held directly by such investor in book-entry form through DTC's "Direct Registration System") or his or her broker, or will issue a certificated ADR if such ADSs are to be held in physical certificated form.

For Class A ordinary shares deposited in CCASS, under normal circumstances, the above steps generally require two business days. For Class A ordinary shares held outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. Temporary delays may arise. For example, the transfer books of the depository may from time to time be closed to ADS issuances. The investor will be unable to trade the ADSs until the procedures are completed.

Converting ADSs to Class A Ordinary Shares Trading in Hong Kong

An investor who holds ADSs and who intends to convert his/her ADSs into Class A ordinary shares to trade on the Hong Kong Stock Exchange must cancel the ADSs the investor holds and withdraw Class A ordinary shares from our ADS program and cause his or her broker or other financial institution to trade such Class A ordinary shares on the Hong Kong Stock Exchange. An investor that holds ADSs indirectly through a broker or other financial institution should follow the procedure of the broker or financial institution and instruct such broker or financial institution to arrange for cancellation of the ADSs, and transfer of the underlying Class A ordinary shares from the depository's account with the custodian within the CCASS system to the investor's Hong Kong stock account.

For investors holding ADSs directly, the following steps must be taken:

- To withdraw Class A ordinary shares from our ADS program, an investor who holds ADSs may turn in such ADSs at the office of the depository (and the applicable ADR(s) if the ADSs are held in physical certificated form), and send an instruction to cancel such ADSs to the depository.
 - Upon payment or net of its fees and expenses, payment of CCASS' fees and expenses, and payment of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, and subject in all cases to the terms of the deposit agreement, the depository will instruct the custodian to deliver Class A ordinary shares underlying the canceled ADSs to the CCASS account designated by an investor.
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- If an investor prefers to receive Class A ordinary shares outside CCASS, he or she must receive Class A ordinary shares in CCASS first and then arrange for withdrawal from CCASS. Investors can then obtain a transfer form signed by HKSCC Nominees Limited (as the transferor) and register Class A ordinary shares in their own names with the Hong Kong Share Registrar.

For Class A ordinary shares to be received in CCASS, under normal circumstances, the above steps generally require two business days, provided that the investor has provided timely and complete instructions. For Class A ordinary shares to be received outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. The investor will be unable to trade the Class A ordinary shares on the Hong Kong Stock Exchange until the procedures are completed.

Temporary delays may arise. For example, the transfer books of the depository may from time to time be closed to ADS cancellations. In addition, completion of the above steps and procedures is subject to there being a sufficient number of Class A ordinary shares on the Hong Kong share register to facilitate a withdrawal from the ADS program directly into the CCASS system. We are not under any obligation to maintain or increase the number of Class A ordinary shares on the Hong Kong share register to facilitate such withdrawals.

In the event there are not a sufficient number of Class A ordinary shares on the Hong Kong share register in the account of the depository's custodian at CCASS to satisfy a cancellation of ADSs and withdrawal of Class A ordinary shares in whole or in part, such withdrawal shall be in the form of Class A ordinary shares on the Hong Kong share register to the extent available with the balance to be in the form of Class A ordinary shares on our principal share register in the Cayman Islands. The depository is not under any obligation, and has no ability, to maintain or increase the number of Class A ordinary shares held by its custodian on the Hong Kong share register to facilitate such withdrawals.

Depository Requirements

Before the depository issues ADSs or permits withdrawal of Class A ordinary shares, the depository may require:

- payment of all amounts required pursuant to the deposit agreement, including the issuance and cancellation fees therein, any stock transfer or other tax or other governmental charges and any stock transfer or registration fees in effect;
- production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with procedures it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depository may refuse to deliver, transfer, or register issuances, transfers and cancellations of ADSs generally when the transfer books of the depository or our Hong Kong share registrar or Cayman share register are closed or at any time if the depository or we determine it advisable to do so, subject to such refusal complying with U.S. federal securities laws.

All costs attributable to the transfer of Class A ordinary shares to effect a withdrawal from or deposit of Class A ordinary shares into our ADS program will be borne by the investor requesting the transfer. In particular, holders of Class A ordinary shares and ADSs should note that the Hong Kong share registrar will charge between HK\$2.50 to HK\$20, depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of Class A ordinary shares from one registered owner to another, each Class A ordinary share certificate canceled or issued by it and any applicable fee as stated in the Class A ordinary share transfer forms used in Hong Kong. In addition, holders of Class A ordinary shares and ADSs must pay up to US\$5.00 (or less) per 100 ADSs (or portion thereof) for each issuance of ADSs and each cancellation of ADSs, as the case may be, in connection with the deposit of Class A ordinary shares into, or withdrawal of Class A ordinary shares from, our ADS program.

LIST OF SIGNIFICANT SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITY*

All significant subsidiaries and consolidated affiliated entity do business under their legal name.

Significant Subsidiaries

Name of Company	Jurisdiction of Incorporation	Percentage of Attributable Equity Interests	
Shanghai Baozun E-commerce Limited	PRC	100	%
Baozun Hong Kong Holding Limited	Hong Kong	100	%
Shanghai Bodao E-commerce Limited	PRC	100	%
Shanghai Fengbo E-commerce Limited	PRC	100	%
Baozun Hongkong Limited	Hong Kong	100	%
Baozun Hongkong Investment Limited	Hong Kong	100	%
Baotong Inc.	Cayman Islands	63	%
Baotong Hong Kong Holding Limited	Hong Kong	63	%
Baotong E-Logistics Technology (Suzhou) Limited	PRC	63	%
Shanghai Yingsai Advertisement Limited	PRC	100	%
Baozun Brand Management Limited	Hong Kong	100	%
White Horse Hongkong Holding Limited	Hong Kong	100	%
Gap (Shanghai) Commercial Co., Ltd.	PRC	100	%

Affiliated Entity Consolidated in the Registrant's Financial Statement

Name of Company	Jurisdiction of Incorporation
Shanghai Zunyi Business Consulting Ltd.	PRC

* Other consolidated entities of Baozun Inc. have been omitted from this list since, considered in the aggregate as a single entity, they would not constitute a significant subsidiary.

BAOZUN INC.

**AMENDED AND RESTATED STATEMENT OF POLICIES
GOVERNING MATERIAL, NON-PUBLIC INFORMATION AND
THE PREVENTION OF INSIDER TRADING**

(Adopted by the Board of Directors on March 22, 2023, with the compliance officer being appointed or replaced by the Board of Directors from time to time.)

This Statement of Policies Governing Material, Non-Public Information and the Prevention of Insider Trading (this “Statement”) of Baozun Inc. (the “Company”) consists of three sections: Section I provides an overview; Section II sets forth the Company’s policies prohibiting insider trading; and Section III explains insider trading.

I. SUMMARY

Preventing insider trading is necessary to comply with relevant United States and Hong Kong securities laws, rules and regulations and to preserve the reputation and integrity of the Company as well as that of all persons affiliated with it. “Insider trading” occurs when any person purchases or sells a security while in possession of inside information relating to the security. As explained in Section III below, “inside information” is information which is considered to be both “material” and “non-public.”

The Company considers strict compliance with the policies (the “Policy”) set forth in this Statement to be a matter of utmost importance. Violation of this Policy could cause extreme embarrassment and possible legal liability to you and the Company. Knowing or willful violations of the letter or spirit of this Policy will be grounds for immediate dismissal from the Company. Violation of the Policy might expose the violator to severe criminal penalties as well as civil liability to any person injured by the violation. The monetary damages flowing from a violation could be three times the profit realized by the violator, as well as the attorney’s fees of the persons injured.

This Statement applies to all officers, directors, employees and consultants of the Company and its subsidiaries and affiliated entities and extends to all activities within and outside an individual’s duties at the Company. Every director, officer, employee and consultant must review this Statement.

Questions regarding the Statement should be directed to head of legal department of the Company (the “Compliance Officer”)

II. POLICIES PROHIBITING INSIDER TRADING

For purposes of this Statement, the terms “purchase” and “sell” of securities exclude the acceptance of options granted by the issuer thereof and the exercise of options that does not

involve the sale of securities. Among other things, the cashless exercise of options does involve the sale of securities and therefore is subject to the policies set forth below.

- A. ***No Trading*** – No officer, director, employee or consultant shall purchase or sell any type of security of the Company or enter into a binding security trading plan while in possession of material, non-public information relating to the Company, its American Depositary Shares (“ADSs”), representing its ordinary shares, or other securities; or deal in any securities while in possession of inside information (the “Material Information”).

In the event that the Material Information possessed by you relates to the ADSs or other Company securities, the above policy will require waiting for at least twenty-four (24) hours after public disclosure of the Material Information by the Company, which twenty-four (24) hours shall include in all events at least four (4) trading hours of a U.S. Trading Day on the NASDAQ Global Market and four (4) trading hours of a Hong Kong Trading Day on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) following such public disclosure. The term “U.S. Trading Day” is defined as a day on which the NASDAQ Global Market is open for trading. The NASDAQ Global Market’s regular trading hours are from 9:30 a.m. to 4:00 p.m. (Eastern Time). The term “Hong Kong Trading Day” is defined as a day on which the Hong Kong Stock Exchange is open for trading. The Hong Kong Stock Exchange’s regular trading hours are from 9:30 a.m. to 4:00 p.m. (Hong Kong Time).

In addition, no officer, director, employee or consultant shall purchase or sell any Company security, without the prior clearance by the Compliance Officer, during any period designated as a “limited trading period,” regardless of whether such officer, director, employee or consultant possesses any Material Information. The Compliance Officer may declare limited trading periods at the times that he or she deems appropriate, and need not provide any reason for making a declaration.

Furthermore, all transactions in Company securities (including without limitation, acquisitions and dispositions of the ADSs and the sale of ordinary shares issued upon exercise of stock options, but excluding the acceptance of options granted by the Company and the exercise of options that does not involve the sale of securities) by officers, directors and key employees designated by the Company from time to time must be pre-approved by the Compliance Officer.

Please see Section III below for an explanation of the Material Information.

- B. ***Trading Blackout Periods*** – Assuming none of the “no trading” restrictions set forth in Section II-A above applies, no officer, director, employee or consultant shall purchase or sell any security of the Company or enter into a binding security trading plan during the following periods:

- (1) during the period of 60 days immediately preceding the public disclosure date of the annual results or, if shorter, the period from the end of the relevant financial year up to the first U.S. Trading Day for trading on the NASDAQ Global Market or the first Hong Kong Trading Day for trading on

the Hong Kong Stock Exchange, as applicable, following the date of the Company's public disclosure of the results, no officer, director, employee or consultant shall purchase or sell any security of the Company or enter into a binding 10b5-1 security trading plan; and

(2) during the period of 30 days immediately preceding the public disclosure date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the first U.S. Trading Day for trading on the NASDAQ Global Market or the first Hong Kong Trading Day for trading on the Hong Kong Stock Exchange, as applicable, following the date of the Company's public disclosure of the results, no officer, director, employee or consultant shall purchase or sell any security of the Company or enter into a binding 10b5-1 security trading plan.

If the Company's public disclosure of its financial results for the prior period occurs on a U.S. Trading Day more than four hours before the NASDAQ Global Market closes, or on a Hong Kong Trading Day more than four hours before the Hong Kong Stock Exchange closes, such date of disclosure shall be considered the first U.S. Trading Day, or the first Hong Kong Trading Day, as applicable, following such public disclosure.

The model code governing dealings by directors in listed securities of the Company, including the restriction in dealings during the blackout period before publication of financial results under Appendix 10 of The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Hong Kong Listing Rules") (*Annex A* hereto), and the rules governing insider dealings under the Securities and Futures Ordinance (Cap.571) ("SFO") also apply to the Company.

Please note that trading in Company securities other than during the Trading Blackout Periods is not a "safe harbor," and all officers, directors, employees and consultants should strictly comply with all the policies set forth in this Statement.

When in doubt, do not trade! Check with the Compliance Officer first.

The Compliance Officer, in deciding whether to grant approval, may consider the affirmative defenses contained in Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, or general defenses under section 292 of the SFO.

C. **No Tipping** – No officer, director, employee or consultant shall directly or indirectly disclose any Material Information to anyone who trades in securities (so-called "tipping") while in possession of such Material Information.

D. **Confidentiality** - No officer, director, employee or consultant shall communicate any Material Information to anyone outside the Company under any circumstances unless approved by the Compliance Officer in advance, or to anyone within the Company other than on a need-to-know basis.

E. **No Comment** - No officer, director, employee or consultant shall discuss any internal matters or developments of the Company with anyone outside of the Company, except

as required in the performance of regular corporate duties. Unless you are expressly authorized to the contrary, if you receive any inquiries about the Company or its securities by the financial press, investment analysts or others, or any requests for comments or interviews, you should decline comment and direct the inquiry or request to the Compliance Officer.

F. ***Corrective Action*** - If any potentially Material Information is inadvertently disclosed, any officer, director, employee or consultant should notify the Compliance Officer immediately so that the Company can determine whether or not corrective action, such as general disclosure to the public, is warranted.

III. EXPLANATION OF INSIDER TRADING

As noted above, “insider trading” refers to the purchase or sale or dealing of a security while in possession of “material” “non-public” information or “insider information” relating to the security. “Securities” include not only stocks, bonds, notes and debentures, but also options, warrants and similar instruments. “Purchase” and “sale” are defined broadly under the federal securities law. “Purchase” includes not only the actual purchase of a security, but any contract to purchase or otherwise acquire a security. “Sale” includes not only the actual sale of a security, but any contract to sell or otherwise dispose of a security. “Dealing” is defined broadly under the Hong Kong Listing Rules and the SFO and includes making or offering to make an agreement or inducing or attempting to induce another person to enter into or offer to enter into an agreement for or with a view to acquiring, disposing of, subscribing for securities, or the purpose of pretended purpose of which is to secure a profit from the yield of securities or by reference to fluctuations in the value of securities. These definitions extend to a broad range of transactions including conventional cash-for-stock transactions, the grant and exercise of stock options and acquisitions and exercises of warrants or puts, calls or other options related to a security. It is generally understood that insider trading includes the following:

- Trading by insiders while in possession of material, non-public information or inside information;
- Trading by persons other than insiders while in possession of material, non-public information or inside information where the information either was given in breach of an insider’s fiduciary duty to keep it confidential or was misappropriated; or
- Communicating or tipping material, non-public information or inside information to others, including recommending the purchase or sale or dealing of a security while in possession of such information.

As noted above, for purposes of this Statement, the terms “purchase” and “sell” of securities exclude the acceptance of options granted by the issuer thereof and the exercise of options that does not involve the sale of securities. Among other things, the cashless exercise of options does involve the sale of securities and therefore is subject to the policies set forth in this Statement.

What Facts are Material or may constitute Inside Information?

The materiality of a fact depends upon the circumstances. A fact is considered “material” if there is a substantial likelihood that a reasonable investor would consider it important in making a decision to buy, sell or hold a security or where the fact is likely to have a significant effect on the market price of the security. Material information can be positive or negative and can relate to virtually any aspect of a company’s business or to any type of security, debt or equity.

Inside information means (a) specific information that is about the corporation, a shareholder or officer of the corporation, or the listed securities of the corporation or their derivatives; and (b) is not generally known to that segment of the market such deals would likely deal in the listed securities of the corporation; and (c) the information would, if generally known, be likely to materially affect the price of the listed securities.

Examples of material information or inside information include (but are not limited to) information concerning:

- dividends;
- corporate earnings or earnings forecasts;
- changes in financial condition or asset value;
- negotiations for the mergers or acquisitions or dispositions of significant subsidiaries or assets;
- significant new contracts or the loss of a significant contract;
- significant new products or services;
- significant marketing plans or changes in such plans;
- capital investment plans or changes in such plans;
- material litigation, administrative action or governmental investigations or inquiries about the Company or any of its affiliated companies, officers or directors;
- significant borrowings or financings;
- defaults on borrowings;
- new equity or debt offerings;
- significant personnel changes;
- changes in accounting methods and write-offs; and

- any substantial change in industry circumstances or competitive conditions which could significantly affect the Company's earnings or prospects for expansion.

A good general rule of thumb: **when in doubt, do not trade.**

What is Non-public or Not generally known?

Information is "non-public" or "not generally known" if it is not available to the general public. In order for information to be considered public, it must be widely disseminated in a manner making it generally available to investors through such media as Dow Jones, Reuters Economic Services, The Wall Street Journal, Bloomberg, Associated Press, or United Press International. However, press speculation, reports and rumours in the market, even if accurate and reported in the media, cannot be automatically taken to be information generally known to the market or constitute public dissemination, even though in some cases the media reports might have a wide circulation. Distinction should be made between actual knowledge of the market about a hard fact which is properly disclosed by the corporation and speculation or expectation of what might have happened about a corporation which obviously requires proof.

In addition, even after a public announcement, a reasonable period of time must lapse in order for the market to react to the information. Generally, one should allow approximately twenty-four (24) hours following publication as a reasonable waiting period before such information is deemed to be public.

Who is an Insider?

"Insiders" include officers, directors, employees and consultants of a company and anyone else who has material inside information about a company. Insiders have independent fiduciary duties to their company and its shareholders not to trade on material, non-public information relating to the company's securities. All officers, directors, employees and consultants of the Company should consider themselves insiders with respect to material, non-public information about business, activities and securities. Officers, directors, employees and consultants may not trade the Company's securities while in possession of material, non-public information relating to the Company nor tip (or communicate except on a need-to-know basis) such information to others.

It should be noted that trading by members of an officer's, director's, employee's or consultant's household can be the responsibility of such officer, director, employee or consultant under certain circumstances and could give rise to legal and Company-imposed sanctions.

Trading by Persons Other than Insiders

Insiders may be liable for communicating or tipping material, non-public information to a third party ("tippee"), and insider trading violations are not limited to trading or tipping by insiders. Persons other than insiders also can be liable for insider trading, including tippees who trade on material, non-public information tipped to them or individuals who trade on material, non-public information which has been misappropriated.

Tippees inherit an insider's duties and are liable for trading on material, non-public information illegally tipped to them by an insider. Similarly, just as insiders are liable for the insider trading of their tippees, so are tippees who pass the information along to others who trade. In other words, a tippee's liability for insider trading is no different from that of an insider. Tippees can obtain material, non-public information by receiving overt tips from others or through, among other things, conversations at social, business, or other gatherings.

Penalties for Engaging in Insider Trading

Penalties for trading on or tipping material, non-public information can extend significantly beyond any profits made or losses avoided, both for individuals engaging in such unlawful conduct and their employers. The Securities and Exchange Commission ("SEC") and Department of Justice have made the civil and criminal prosecution of insider trading violations a top priority. Enforcement remedies available to the government or private plaintiffs under the federal securities laws include:

- SEC administrative sanctions;
- Securities industry self-regulatory organization sanctions;
- Civil injunctions;
- Damage awards to private plaintiffs;
- Disgorgement of all profits;
- Civil fines for the violator of up to three times the amount of profit gained or loss avoided;
- Civil fines for the employer or other controlling person of a violator (i.e., where the violator is an employee or other controlled person) of up to the greater of US\$1,000,000 or three times the amount of profit gained or loss avoided by the violator;
- Criminal fines for individual violators of up to US\$1,000,000 (US\$2,500,000 for an entity); and
- Jail sentences of up to 10 years.

All forms of market misconduct (including insider dealing) are liable to prosecution as a criminal offence under the SFO. The maximum criminal sanctions are a maximum of 10 years' imprisonment and fines of up to HK\$10 million. In addition, the court may make disqualification, cold shoulder and disciplinary referral orders. The SFO provides a private right of civil action against any person who has committed market misconduct or any offences relating to dealings in securities under Part XIV of the SFO in favour of anyone who has suffered a pecuniary loss as a result, unless it is fair, just and reasonable that the perpetrator should not be liable.

In addition, insider trading could result in serious sanctions by the Company, including immediate dismissal. Insider trading violations are not limited to violations of the U.S. federal securities laws or SFO; other federal and state civil or criminal laws, such as the laws prohibiting mail and wire fraud and the Racketeer Influenced and Corrupt Organizations Act (RICO), also may be violated upon the occurrence of insider trading.

ANNEX A

Model Code for Securities Transactions by Directors of Listed Issuers

Basic Principles

1. This code (both the basic principles and the rules) sets a required standard against which directors must measure their conduct regarding transactions in securities of their listed issuers. Any breach of such required standard will be regarded as a breach of the Exchange Listing Rules. A director must seek to secure that all dealings in which he is or is deemed to be interested be conducted in accordance with this code.
2. A listed issuer may adopt its own code on terms no less exacting than those set out in this code if it so wishes. Any breach of such code will not be a breach of the Exchange Listing Rules unless it is also a breach of the required standard contained in this code.
3. The Exchange regards it as highly desirable that directors of a listed issuer should hold securities in the listed issuer.
4. Directors wishing to deal in any securities in a listed issuer must first have regard to the provisions of Parts XIII and XIV of the Securities and Futures Ordinance with respect to insider dealing and market misconduct. However, there are occasions where directors should not be free to deal in the listed issuer's securities even though the statutory requirements will not be contravened.
5. The single most important thrust of this code is that directors who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are notifiable transactions under Chapter 14 of the Listing Rules or connected transactions under Chapter 14A of the Listing Rules or any inside information must refrain from dealing in the issuer's securities as soon as they become aware of them or privy to them until the information has been announced. Directors who are privy to relevant negotiations or agreements or any inside information should caution those directors who are not so privy that there may be inside information and that they must not deal in the issuer's securities for a similar period.
6. In addition, a director must not make any unauthorised disclosure of confidential information, whether to co-trustees or to any other person (even those to whom he owes a fiduciary duty) or make any use of such information for the advantage of himself or others.

Interpretation

7. For the purpose of this code:
 - (a) "dealing" includes, subject to paragraph (d) below, any acquisition, disposal or transfer of, or offer to acquire, dispose of or transfer, or creation of pledge, charge or any other security interest in, any securities of the listed issuer or any entity whose assets solely or substantially comprise securities of the listed issuer, and the grant, acceptance, acquisition, disposal, transfer, exercise or

discharge of any option (whether call, put or both) or other right or obligation, present or future, conditional or unconditional, to acquire, dispose of or transfer securities, or any interest in securities, of the listed issuer or any such entity, in each case whether or not for consideration and any agreements to do any of the foregoing, and “deal” shall be construed accordingly;

- (b) “beneficiary” includes any discretionary object of a discretionary trust (where the director is aware of the arrangement) and any beneficiary of a non-discretionary trust;
- (c) “securities” means listed securities and any unlisted securities that are convertible or exchangeable into listed securities and structured products (including derivative warrants), such as those described in Chapter 15A of the Exchange Listing Rules, issued in respect of the listed securities of a listed issuer;
- (d) notwithstanding the definition of “dealing” in paragraph (a) above, the following dealings are not subject to the provisions of this code:
 - (i) taking up of entitlements under a rights issue, bonus issue, capitalisation issue or other offer made by the listed issuer to holders of its securities (including an offer of shares in lieu of a cash dividend) but, for the avoidance of doubt, applying for excess shares in a rights issue or applying for shares in excess of an assured allotment in an open offer is a “dealing”;
 - (ii) allowing entitlements to lapse under a rights issue or other offer made by the listed issuer to holders of its securities (including an offer of shares in lieu of a cash dividend);
 - (iii) undertakings to accept, or the acceptance of, a general offer for shares in the listed issuer made to shareholders other than those that are concert parties (as defined under the Takeovers Code) of the offeror;
 - (iv) exercise of share options or warrants or acceptance of an offer for shares pursuant to an agreement entered into with a listed issuer before a period during which dealing is prohibited under this code at the pre-determined exercise price, being a fixed monetary amount determined at the time of grant of the share option or warrant or acceptance of an offer for shares;
 - (v) an acquisition of qualification shares where, under the listed issuer’s constitutional documents, the final date for acquiring such shares falls within a period when dealing is prohibited under this code and such shares cannot be acquired at another time;
 - (vi) dealing where the beneficial interest or interests in the relevant security of the listed issuer do not change;
 - (vii) dealing where a shareholder places out his existing shares in a “top-up”

placing where the number of new shares subscribed by him pursuant to an irrevocable, binding obligation equals the number of existing shares placed out and the subscription price (after expenses) is the same as the price at which the existing shares were placed out;

- (viii) dealing where the beneficial ownership is transferred from another party by operation of law; and
- (ix) acceptance or vesting of shares pursuant to the terms of share awards granted by a listed issuer before a period during which dealing is prohibited under this code at the purchase price, if any, fixed at the time of grant of the awards.

8. For the purpose of this code, the grant to a director of an option to subscribe or purchase his company's securities shall be regarded as a dealing by him, if the price at which such option may be exercised is fixed at the time of such grant. If, however, an option is granted to a director on terms whereby the price at which such option may be exercised is to be fixed at the time of exercise, the dealing is to be regarded as taking place at the time of exercise.

Rules

A. Absolute prohibitions

1. A director must not deal in any of the securities of the issuer at any time when he possesses inside information in relation to those securities, or where clearance to deal is not otherwise conferred upon him under rule B.8 of this code.
2. A director must not deal in the securities of an issuer when by virtue of his position as a director of another issuer, he possesses inside information in relation to those securities.
3. (a) A director must not deal in any securities of the listed issuer on any day on which its financial results are published and:
 - (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results,unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met as described in section C below. In any event, the director must comply with the procedure in rules B.8 and B.9 of this code.
- (b) The listed issuer must notify the Exchange in advance of the commencement of each period during which directors are not allowed to deal under rule A.3(a).

Note: Directors should note that the period during which they are not allowed to deal under rule A.3 will cover any period of delay in the publication of a results announcement.

4. Where a director is a sole trustee, the provisions of this code will apply to all dealings of the trust as if he were dealing on his own account (unless the director is a bare trustee and neither he nor any of his close associates is a beneficiary of the trust, in which case the provisions of this code will not apply).
5. Where a director deals in the securities of a listed issuer in his capacity as a co-trustee and he has not participated in or influenced the decision to deal in the securities and is not, and none of his close associates is, a beneficiary of the trust, dealings by the trust will not be regarded as his dealings.
6. The restrictions on dealings by a director contained in this code will be regarded as equally applicable to any dealings by the director's spouse or by or on behalf of any minor child (natural or adopted) and any other dealings in which for the purposes of Part XV of the Securities and Futures Ordinance he is or is to be treated as interested. It is the duty of the director, therefore, to seek to avoid any such dealing at a time when he himself is not free to deal.
7. When a director places investment funds comprising securities of the listed issuer under professional management, discretionary or otherwise, the managers must nonetheless be made subject to the same restrictions and procedures as the director himself in respect of any proposed dealings in the listed issuer's securities

B. Notification

8. A director must not deal in any securities of the issuer without first notifying in writing the chairman or a director (otherwise than himself) designated by the board for the specific purpose and receiving a dated written acknowledgement. In his own case, the chairman must first notify the board at a board meeting, or alternatively notify a director (otherwise than himself) designated by the board for the purpose and receive a dated written acknowledgement before any dealing. The designated director must not deal in any securities of the issuer without first notifying the chairman and receiving a dated written acknowledgement. In each case,
 - (a) a response to a request for clearance to deal must be given to the relevant director within five business days of the request being made; and
 - (b) the clearance to deal in accordance with (a) above must be valid for no longer than five business days of clearance being received.

Note: For the avoidance of doubt, the restriction under A.1 of this code applies if inside information develops following the grant of clearance.

9. The procedure established within the listed issuer must, as a minimum, provide for there to be a written record maintained by the listed issuer that the appropriate notification was

given and acknowledged pursuant to rule B.8 of this code, and for the director concerned to have received written confirmation to that effect.

10. Any director of the listed issuer who acts as trustee of a trust must ensure that his co-trustees are aware of the identity of any company of which he is a director so as to enable them to anticipate possible difficulties. A director having funds under management must likewise advise the investment manager.
11. Any director who is a beneficiary, but not a trustee, of a trust which deals in securities of the listed issuer must endeavour to ensure that the trustees notify him after they have dealt in such securities on behalf of the trust, in order that he in turn may notify the listed issuer. For this purpose, he must ensure that the trustees are aware of the listed issuers of which he is a director.
12. The register maintained in accordance with Section 352 of the Securities and Futures Ordinance should be made available for inspection at every meeting of the board.
13. The directors of a company must as a board and individually endeavour to ensure that any employee of the company or director or employee of a subsidiary company who, because of his office or employment in the company or a subsidiary, is likely to possess inside information in relation to the securities of any issuer does not deal in those securities when he would be prohibited from dealing by this code if he were a director.

C. Exceptional circumstances

14. If a director proposes to sell or otherwise dispose of securities of the listed issuer under exceptional circumstances where the sale or disposal is otherwise prohibited under this code, the director must, in addition to complying with the other provisions of this code, comply with the provisions of rule B.8 of this code regarding prior written notice and acknowledgement. The director must satisfy the chairman or the designated director that the circumstances are exceptional and the proposed sale or disposal is the only reasonable course of action available to the director before the director can sell or dispose of the securities. The listed issuer shall give written notice of such sale or disposal to the Exchange as soon as practicable stating why it considered the circumstances to be exceptional. The listed issuer shall publish an announcement in accordance with rule 2.07C immediately after any such sale or disposal and state that the chairman or the designated director is satisfied that there were exceptional circumstances for such sale or disposal of securities by the director. An example of the type of circumstances which may be considered exceptional for such purposes would be a pressing financial commitment on the part of the director that cannot otherwise be satisfied.

D. Disclosure

15. In relation to securities transactions by directors, a listed issuer shall disclose in its interim reports (and summary interim reports, if any) and the Corporate Governance Report contained in its annual reports (and summary financial reports, if any):
 - (a) whether the listed issuer has adopted a code of conduct regarding securities

transactions by directors on terms no less exacting than the required standard set out in this code;

- (b) having made specific enquiry of all directors, whether its directors have complied with, or whether there has been any non-compliance with, the required standard set out in this code and its code of conduct regarding securities transactions by directors; and
- (c) in the event of any non-compliance with the required standard set out in this code, details of such non-compliance and an explanation of the remedial steps taken by the listed issuer to address such non-compliance.

CERTIFICATION

I, Vincent Wenbin Qiu, certify that:

1. I have reviewed this annual report on Form 20-F of Baozun Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer 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 report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 19, 2024

By: /s/ Vincent Wenbin Qiu

Name: Vincent Wenbin Qiu

Title: Chief Executive Officer

CERTIFICATION

I, Arthur Yu, certify that:

1. I have reviewed this annual report on Form 20-F of Baozun Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer 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 report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 19, 2024

By: /s/ Arthur Yu

Name: Arthur Yu

Title: Chief Financial Officer

CERTIFICATION

In connection with the annual report of Baozun Inc. (the “Company”) on Form 20-F for the year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Vincent Wenbin Qiu, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1)The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 19, 2024

By: /s/ Vincent Wenbin Qiu

Name: Vincent Wenbin Qiu

Title: Chief Executive Officer

CERTIFICATION

In connection with the annual report of Baozun Inc. (the “Company”) on Form 20-F for the year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Arthur Yu, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1)The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 19, 2024

By: /s/ Arthur Yu

Name: Arthur Yu

Title: Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No. 333-205944, No. 333-217121, No. 333-224330, No. 333-230994, No. 333-237873, No. 333-255176, No. 333-263966 and No. 333-268083 on Form S-8 of our reports dated April 19, 2024, relating to the financial statements of Baozun Inc. and the effectiveness of Baozun Inc.'s internal control over financial reporting, appearing in the Annual Report on Form 20-F of Baozun Inc. for the year ended December 31, 2023.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Shanghai, China
April 19, 2024

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HAN KUN
汉坤律师事务所
Han Kun Law Offices

CONSENT OF HAN KUN LAW OFFICES

April 19, 2024

Baozun Inc.
No. 1-9, Lane 510, West Jiangchang Road
Shanghai 200436
The People's Republic of China

Dear Sirs,

We consent to the reference to our firm under the heading “Item 4. Information on the Company – C. Organizational Structure” in Baozun Inc.’s Annual Report on Form 20-F for the year ended December 31, 2023 (the “**Annual Report**”), which will be filed with the Securities and Exchange Commission (the “**SEC**”) in the month of April 2024. We also consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report.

Yours faithfully,

/s/ Han Kun Law Offices/

Han Kun Law Offices

CONFIDENTIALITY. This document contains confidential information which may be protected by privilege from disclosure. Unless you are the intended or authorised recipient, you shall not copy, print, use or distribute it or any part thereof or carry out any act pursuant thereto and shall advise Han Kun Law Offices immediately by telephone, e-mail or facsimile and return it promptly by mail. Thank you.



Our ref VSL/689164-000001/28926587v1
Direct tel +852 3690 7513
E-mail vivian.lee@maples.com

No. 1-9, Lane 510, West Jiangchang Road
Shanghai 200436
The People's Republic of China

19 April 2024

Dear Sirs

Baozun Inc.

We have acted as legal advisors as to the laws of the Cayman Islands to Baozun Inc., an exempted company incorporated with limited liability under the laws of the Cayman Islands (the "**Company**"), in connection with the filing by the Company with the United States Securities and Exchange Commission (the "**SEC**") of an annual report on Form 20-F for the year ended 31 December 2023 (the "**Annual Report**"), which will be filed with the Securities and Exchange Commission in the month of April 2023.

We hereby consent to the reference to our firm under the heading "Item 10. Additional Information—E. Taxation—Cayman Islands Taxation" in the Annual Report, and further consent to the incorporation by reference of the summary of our opinion under this heading into the Company's registration statement on Form S-8 (File No. 333-205944) that was filed on 30 July 2015, pertaining to the Company's 2014 Share Incentive Plan and 2015 Share Incentive Plan, the Company's registration statement on Form S-8 (File No. 333-217121) that was filed on 3 April 2017, pertaining to the Company's 2015 Share Incentive Plan, the Company's registration statement on Form S-8 (File No. 333-224330) that was filed on 18 April 2018, pertaining to the Company's 2015 Share Incentive Plan, the Company's registration statement on Form S-8 (File No. 333-230994) that was filed on 23 April 2019, pertaining to the Company's 2015 Share Incentive Plan, the Company's registration statement on Form S-8 (File No. 333-237873) that was filed on 28 April 2020, pertaining to the Company's 2015 Share Incentive Plan, the Company's registration statement on Form S-8 (File No. 333-255176) that was filed on 12 April 2021, pertaining to the Company's 2015 Share Incentive Plan, the Company's registration statement on Form S-8 (File No. 333-263966) that was filed on 30 March 2022, pertaining to the Company's 2015 Share Incentive Plan and the Company's registration statement on Form S-8 (File No. 333-268083) that was filed on 1 November 2022, pertaining to the Company's 2022 Share Incentive Plan.

We consent to the filing with the SEC of this consent letter 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.

Yours faithfully

/s/ Maples and Calder (Hong Kong) LLP

**BAOZUN INC.
POLICY ON RECOUPMENT OF INCENTIVE COMPENSATION**

Introduction

The Compensation Committee (the “Compensation Committee”) of the Board of Directors (the “Board”) of Baozun Inc. (the “Company”) has adopted this Policy on Recoupment of Incentive Compensation (this “Policy”), which provides for the recoupment of compensation in certain circumstances in the event of a restatement of financial results by the Company. This Policy shall be interpreted to comply with the requirements of U.S. Securities and Exchange Commission (“SEC”) rules and Nasdaq Stock Market (“Nasdaq”) listing standards implementing Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) and, to the extent this Policy is in any manner deemed inconsistent with such rules, this Policy shall be treated as retroactively amended to be compliant with such rules.

Administration

This Policy shall be administered by the Compensation Committee. Any determinations made by the Compensation Committee shall be final and binding on all affected individuals. The Compensation Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy, in all cases consistent with the Dodd-Frank Act. The Board or Compensation Committee may amend this Policy from time to time in its discretion.

Covered Executives

This Policy applies to any current or former “executive officer,” within the meaning of Rule 10D-1 under the Securities Exchange Act of 1934, as amended, of the Company or a subsidiary of the Company (each such individual, an “Executive”). This Policy shall be binding and enforceable against all Executives and their beneficiaries, executors, administrators, and other legal representatives.

Recoupment Upon Financial Restatement

If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a “Financial Restatement”), the Compensation Committee shall cause the Company to recoup from each Executive, as promptly as reasonably possible, any erroneously awarded Incentive-Based Compensation, as defined below.

No-Fault Recovery

Recoupment under this Policy shall be required regardless of whether the Executive or any other person was at fault or responsible for accounting errors that contributed to the need for the Financial Restatement or engaged in any misconduct.

Compensation Subject to Recovery; Enforcement

This Policy applies to all compensation granted, earned or vested based wholly or in part upon the attainment of any financial reporting measure determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measure that is derived wholly or in part from such measures, whether or not presented within the Company's financial statements or included in a filing with the SEC, including stock price and total shareholder return ("TSR"), including but not limited to performance-based cash, stock, options or other equity-based awards paid or granted to the Executive ("Incentive-Based Compensation"). Compensation that is granted, vests or is earned based solely upon the occurrence of non-financial events, such as base salary, restricted stock or options with time-based vesting, or a bonus awarded solely at the discretion of the Board or Compensation Committee and not based on the attainment of any financial measure, is not subject to this Policy.

In the event of a Financial Restatement, the amount to be recovered will be the excess of (i) the Incentive-Based Compensation received by the Executive during the Recovery Period (as defined below) based on the erroneous data and calculated without regard to any taxes paid or withheld, over (ii) the Incentive-Based Compensation that would have been received by the Executive had it been calculated based on the restated financial information, as determined by the Compensation Committee. For purposes of this Policy, "Recovery Period" means the three completed fiscal years immediately preceding the date on which the Company is required to prepare the Financial Restatement, as determined in accordance with the last sentence of this paragraph, or any transition period that results from a change in the Company's fiscal year (as set forth in Section 5608(b)(i)(D) of the Nasdaq Listing Rules). The date on which the Company is required to prepare a Financial Restatement is the earlier to occur of (A) the date the Board or a Board committee (or authorized officers of the Company if Board action is not required) concludes, or reasonably should have concluded, that the Company is required to prepare a Financial Restatement or (B) the date a court, regulator, or other legally authorized body directs the Company to prepare a Financial Restatement.

For Incentive-Based Compensation based on stock price or TSR, where the amount of erroneously awarded compensation is not subject to mathematical recalculation directly from the information in the Financial Restatement, then the Compensation Committee shall determine the amount to be recovered based on a reasonable estimate of the effect of the Financial Restatement on the stock price or TSR upon which the Incentive-Based Compensation was received and the Company shall document the determination of that estimate and provide it to the Nasdaq.

Incentive-Based Compensation is considered to have been received by an Executive in the fiscal year during which the applicable financial reporting measure was attained or purportedly attained, even if the payment or grant of such Incentive-Based Compensation occurs after the end of that period.

The Company may use any legal or equitable remedies that are available to the Company to recoup any erroneously awarded Incentive-Based Compensation, including but not limited to by collecting from the Executive cash payments or shares of Company common stock from or by forfeiting any amounts that the Company owes to the Executive. Executives shall be solely responsible for any tax consequences to them that result from the recoupment or recovery of any amount pursuant to this Policy, and the Company shall have no obligation to administer the Policy in a manner that avoids or minimizes any such tax consequences.

No Indemnification

The Company shall not indemnify any Executive or pay or reimburse the premium for any insurance policy to cover any losses incurred by such Executive under this Policy or any claims relating to the Company's enforcement of rights under this Policy.

Exceptions

The compensation recouped under this Policy shall not include Incentive-Based Compensation received by an Executive (i) prior to beginning service as an Executive or (ii) if he or she did not serve as an Executive at any time during the performance period applicable to the Incentive-Based Compensation in question. The Compensation Committee may determine not to seek recovery from an Executive in whole or part to the extent it determines in its sole discretion that such recovery would be impracticable because (A) the direct expense paid to a third party to assist in enforcing recovery would exceed the recoverable amount (after having made a reasonable attempt to recover the erroneously awarded Incentive-Based Compensation and providing corresponding documentation of such attempt to the Nasdaq), (B) recovery would violate the home country law that was adopted prior to November 28, 2022, as determined by an opinion of counsel licensed in the applicable jurisdiction that is acceptable to and provided to the Nasdaq, or (C) recovery would likely cause the Company's 401(k) plan or any other tax-qualified retirement plan to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

Other Remedies Not Precluded

The exercise by the Compensation Committee of any rights pursuant to this Policy shall be without prejudice to any other rights or remedies that the Company, the Board or the Compensation Committee may have with respect to any Executive subject to this Policy, whether arising under applicable law (including pursuant to Section 304 of the Sarbanes-Oxley Act of 2002), regulation or pursuant to the terms of any other policy of the Company, employment agreement, equity award, cash incentive award or other agreement applicable to an Executive. Notwithstanding the foregoing, there shall be no duplication of recovery of the same Incentive-Based Compensation under this Policy and any other such rights or remedies.

Acknowledgment

To the extent required by the Compensation Committee, each Executive shall be required to sign and return to the Company the acknowledgement form attached hereto as Exhibit A pursuant to which such Executive will agree to be bound by the terms of, and comply with, this Policy. For the avoidance of doubt, each Executive shall be fully bound by, and must comply with, the Policy, whether or not such Executive has executed and returned such acknowledgment form to the Company.

Effective Date and Applicability.

This Policy has been adopted by the Compensation Committee on November 22, 2023, and shall apply to any Incentive-Based Compensation that is received by an Executive on or after October 2, 2023.

EXHIBIT A

DODD-FRANK COMPENSATION CLAWBACK POLICY

ACKNOWLEDGEMENT FORM

Capitalized terms used but not otherwise defined in this Acknowledgement Form (this “*Acknowledgement Form*”) shall have the meanings ascribed to such terms in the Policy.

By signing this Acknowledgement Form, the undersigned acknowledges, confirms and agrees that the undersigned: (i) has received and reviewed a copy of the Policy; (ii) is and will continue to be subject to the Policy and that the Policy will apply both during and after the undersigned’s employment with the Company; and (iii) will abide by the terms of the Policy, including, without limitation, by reasonably promptly returning any recoverable compensation to the Company as required by the Policy, as determined by the Compensation Committee in its sole discretion.

Sign: _____
Name: [Employee]

Date: _____