
OUR HISTORY AND CORPORATE STRUCTURE

We are a holding company that was incorporated under the laws of the Cayman Islands on December 17, 2013. We operate our business through our wholly-owned subsidiaries and a PRC consolidated VIE.

The following is a summary of our key business milestones:

Date	Event
2007	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 CEO Mr. Vincent Wenbin Qiu, our Chief Growth Officer Mr. Junhua Wu, Mr. Michael Qingyu Zhang and several other individual investors. 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.
2010	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.
2011	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.
2013	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.
2014	We incorporated Baozun Hong Kong Holding Limited in January 2014 to develop our e-commerce solutions business in Hong Kong and internationally.

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<u>Date</u>	<u>Event</u>
	<p>The operation of value-added telecommunications businesses in China requires a VAT License, and foreign ownership of value-added telecommunications business is subject to restrictions under current PRC laws, rules and regulations. We hold a VAT License through our PRC consolidated 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.</p> <p>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.</p>
2015	<p>On May 21, 2015, our ADSs commenced trading on The Nasdaq Global Select Market under the symbol “BZUN.”</p> <p>In October 2015, we established Baozun (Japan) Limited, a wholly-owned subsidiary, seeking to introduce more Japanese brands to Chinese consumers.</p>
2016	<p>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.</p> <p>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.</p>

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<u>Date</u>	<u>Event</u>
	<p>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.</p>
2017	<p>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.</p> <p>In June 2017, we upgraded our technology and 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.</p>
2018	<p>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.</p>
2019	<p>In 2019, we upgraded to a hybrid cloud infrastructure – Baozun Hybrid Cloud – to enhance our storing and computing capabilities. We are now in the process of integrating and migrating all of our core e-commerce systems and applications to Baozun Hybrid Cloud, which will help us better utilize cloud computing, enhance the scalability of our business, and improve cost efficiency.</p>

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<u>Date</u>	<u>Event</u>
	<p>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”). The Company received net proceeds from the Notes Offering of approximately US\$269.0 million. For more information on the 2024 Notes, please see “Financial Information — Liquidity and Capital Resources — Cash Flows and Working Capital.” 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. The Company did not receive any proceeds from the sale of the initial Borrowed ADSs, but received a nominal lending fee from the ADS Borrowers. For more information on the Borrowed ADSs, please see “Risk Factors — Risks Related to Our Shares, ADSs and the Listing — Changes in the accounting guidelines relating to the Borrowed ADS could decrease our earnings per ADS and potentially the price of our ADS.”</p>

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OUR MAJOR SUBSIDIARIES AND OPERATING ENTITIES

The principal business activities and date of establishment of each of our Major Subsidiaries, are shown below:

<u>Name of company</u>	<u>Principal Business Activities</u>	<u>Date and Jurisdiction of Establishment</u>
Shanghai Baozun	Our subsidiary and a wholly-foreign owned enterprise and primarily provides integrated brand-e-commerce solutions to our brand partners, including IT services, store operations, digital marketing, customer services, warehousing and fulfillment	November 11, 2003, PRC
Shanghai Zunyi	An affiliated consolidated entity of Shanghai Baozun and primarily provides brand e-commerce service to our brand partners	December 31, 2010, PRC
Baozun Hong Kong Holding Limited	Our subsidiary and primarily involved in our e-commerce solutions business in Hong Kong and internationally	January 10, 2014, Hong Kong
Shanghai Bodao E-commerce Limited	A subsidiary of Shanghai Baozun and primarily provides brand e-commerce solutions to our brand partners	March 30, 2010, PRC
Shanghai Fengbo E-commerce Limited	An indirect subsidiary of Shanghai Baozun and primarily provides brand e-commerce solutions to our brand partners	December 29, 2011, PRC
Baozun Hongkong Limited	A subsidiary of Shanghai Baozun and primarily involved in our e-commerce solutions business in Hong Kong and internationally	September 11, 2013, Hong Kong
Baozun Hongkong Investment Limited	Our indirect subsidiary which manages our offshore funding activities	July 21, 2015, Hong Kong

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<u>Name of company</u>	<u>Principal Business Activities</u>	<u>Date and Jurisdiction of Establishment</u>
Baotong Hong Kong Holding Limited	Our subsidiary which operates as a holding company of Baotong E-Logistics Technology (Suzhou) Limited	May 5, 2016, Hong Kong
Baotong E-Logistics Technology (Suzhou) Limited	Our indirect subsidiary and primarily provides warehousing and logistics solutions	March 27, 2017, PRC
Shanghai Yingsai Advertisement Limited	A subsidiary of Shanghai Baozun and primarily provides marketing services to our brand partners	March 30, 2010, PRC

LISTING ON NASDAQ AND REASONS FOR LISTING

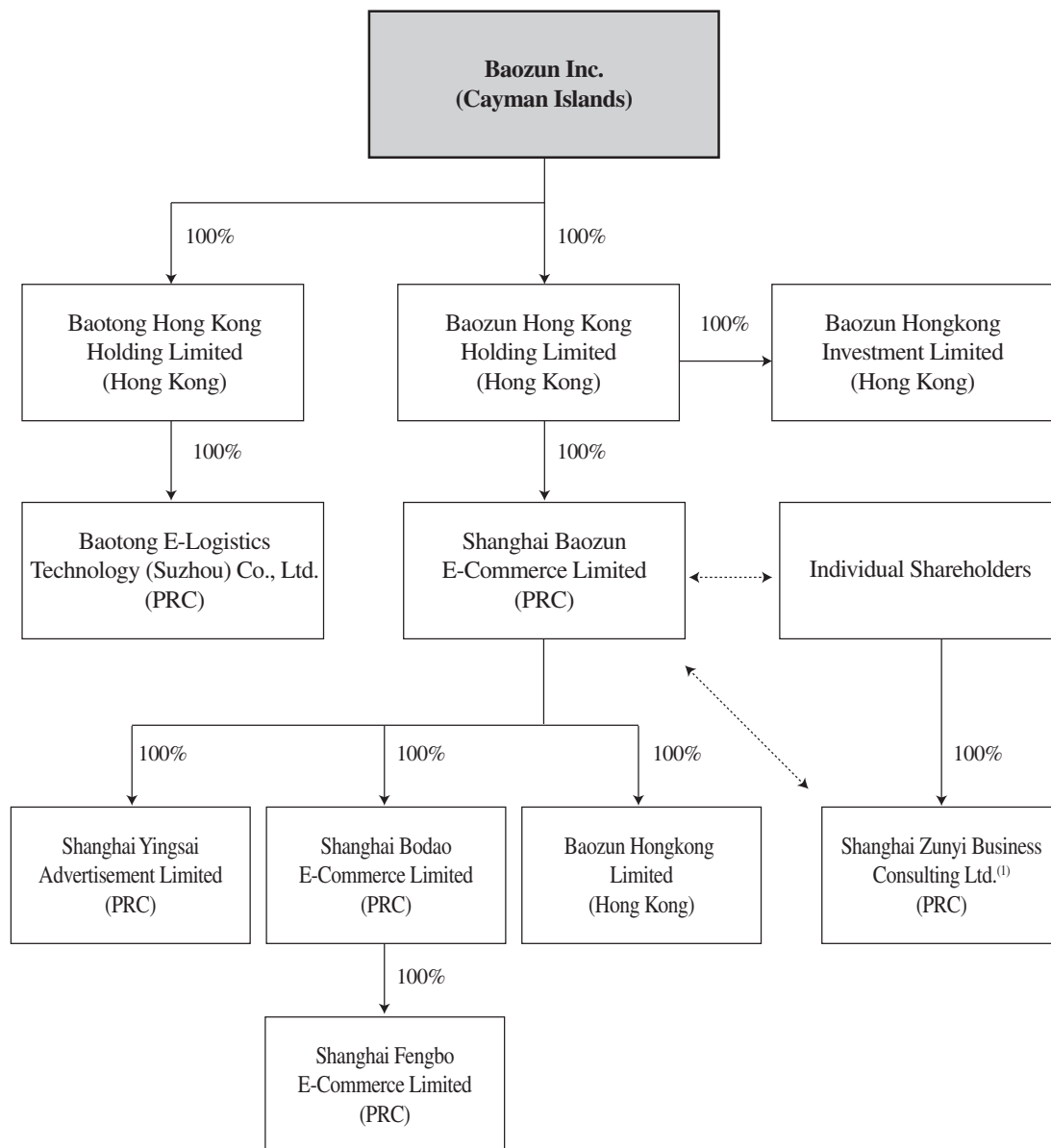
On May 21, 2015, we completed an initial public offering and listing of our ADSs on Nasdaq under the symbol “BZUN”. Since the date of our listing on Nasdaq and up to the Latest Practicable Date, our Directors confirm that we had no instances of non-compliance with the rules of Nasdaq in any material respects and to the best knowledge of our Directors after having made all reasonable enquiries, there is no matter that should be brought to investors’ attention in relation to our compliance record on Nasdaq.

We believe that the Listing on the Hong Kong Stock Exchange will present us with an opportunity to further expand our investor base and broaden our access to capital markets.

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CORPORATE STRUCTURE

The following diagram illustrates our corporate structure and the place of incorporation of each of our significant subsidiaries and VIE as of June 30, 2020:



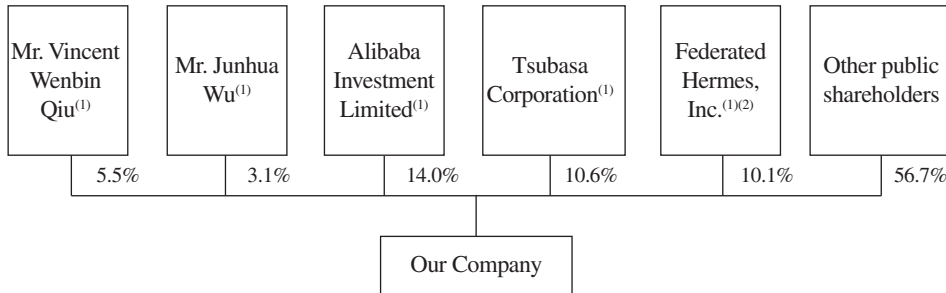
←-----> Contractual arrangements

- (1) Shanghai Zunyi is our VIE in China and is 80% owned by Mr. Vincent Wenbin Qiu, our co-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.

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SHAREHOLDING STRUCTURE

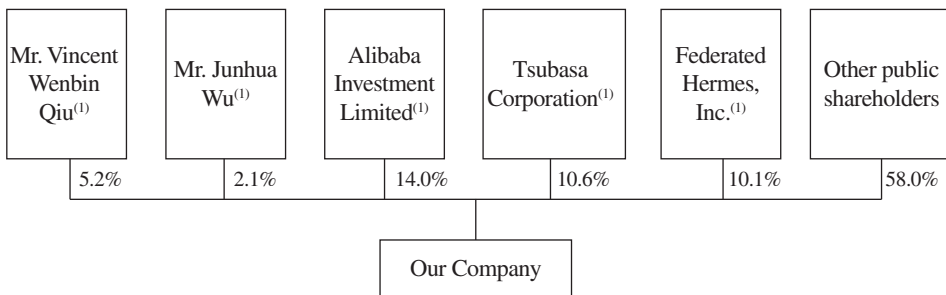
The following diagram illustrates our shareholding structure as of the Latest Practicable Date (including shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security):



Notes:

- (1) See “Major Shareholders” for further details on the voting rights and the beneficial ownership of each of Mr. Vincent Wenbin Qiu, Mr. Junhua Wu, Alibaba Investment Limited, Tsubasa Corporation and Federated Hermes, Inc. 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 the Company’s general meetings, except as may otherwise be required by law.
- (2) Calculated based on the amendment No. 2 to Schedule 13G filed on February 10, 2020.

The following diagram illustrates our shareholding structure as of the Latest Practicable Date (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):

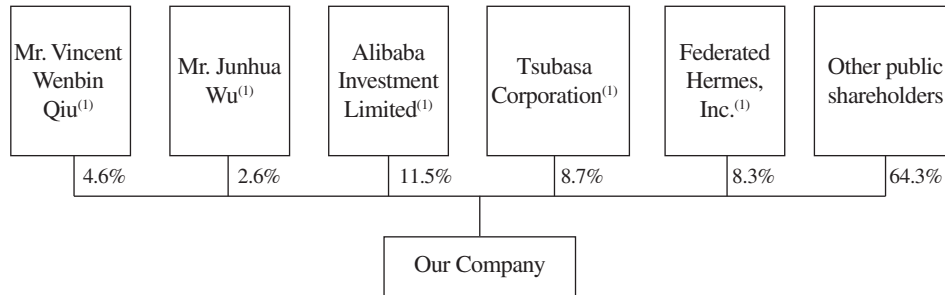


Note:

- (1) Please refer to the details contained in Note (1) above.

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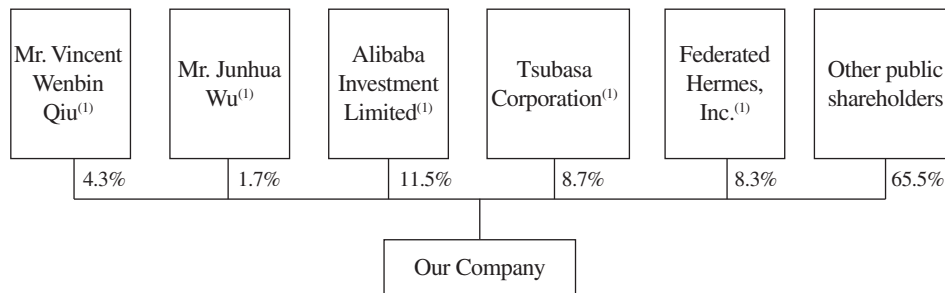
The following diagram illustrates our shareholding structure immediately upon the completion of the Global Offering (assuming all major shareholders' shareholding remain unchanged as of the Latest Practicable Date (including shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security) and without taking into account the Shares to be issued pursuant to the Share Incentive Plan, including pursuant to the exercise of options or other awards that have been or may be granted from time to time and any issuance or repurchase of Shares and/or ADSs that we may make and assuming the Over-allotment Option is not exercised):



Note:

(1) Please refer to the details contained in Note (1) above.

The following diagram illustrates our shareholding structure immediately upon the completion of the Global Offering (assuming all major shareholders' shareholding remain unchanged as of the Latest Practicable Date (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) and without taking into account the Shares to be issued pursuant to the Share Incentive Plan, including pursuant to the exercise of options or other awards that have been or may be granted from time to time and any issuance or repurchase of Shares and/or ADSs that we may make and assuming the Over-allotment Option is not exercised):



Note:

(1) Please refer to the details contained in Note (1) above.

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CONTRACTUAL ARRANGEMENTS

The operation of value-added telecommunications businesses in China requires a VAT License, and foreign ownership of value-added telecommunications business is subject to restrictions under current PRC laws, rules and regulations. We hold a VAT License through our PRC consolidated 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. Shanghai Zunyi is 80% owned by Mr. Vincent Wenbin Qiu, our co-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.

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.

The contractual arrangements with Shanghai Zunyi and its shareholders enable us to:

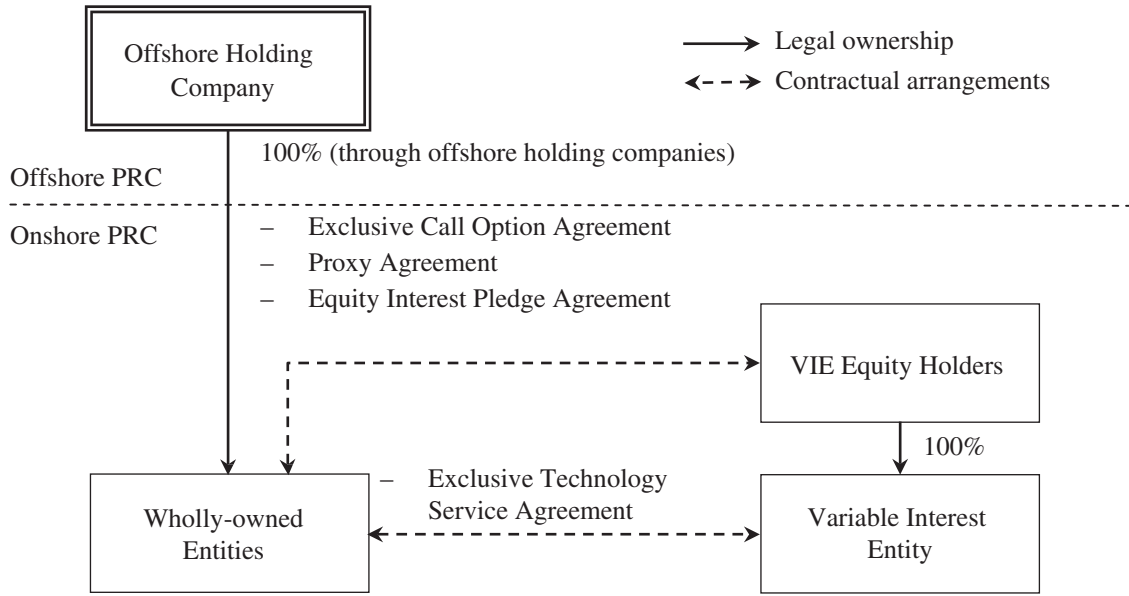
- exercise effective control over Shanghai Zunyi;
- receive substantially all of the economic benefits of Shanghai Zunyi; and
- have an exclusive option to purchase all or part of the equity interests and assets in Shanghai Zunyi when and to the extent permitted by PRC law.

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.

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The following diagram illustrates our shareholding structure immediately upon the completion of the Global Offering (assuming all major shareholders' shareholding remain unchanged as of the Latest Practicable Date and the Over-allotment Option is not exercised):

The following diagram is a simplified illustration of the ownership structure and contractual arrangements for variable interest entity of our Group:



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.

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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.

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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 each of the variable interest entity 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 6.1%, 9.1%, 8.6% and 9.6% of our net revenues for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

In the opinion of Han Kun Law Offices, our PRC Legal Adviser,

- (i) the ownership structures of Shanghai Baozun and Shanghai Zunyi do not violate any 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 will not result in any violation of applicable PRC laws or regulations currently in effect; and

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- (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 will not be deemed as “concealment of illegal intentions with a lawful form” and void under the PRC Contract Law.

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 the variable interest entity to us are enforceable under the relevant laws.

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating our business through the variable interest entity 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 “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 Latest Practicable Date, we did not purchase any insurance to cover the risks relating to the contractual arrangements.

SAFE Registration

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.

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However, our PRC Legal Adviser has also advised us that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules; accordingly, the PRC regulatory authorities may take a view that is contrary to the opinion of our PRC Legal Adviser. 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 “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 “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.”

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.