Baozun Inc.
Form 424B4
May 21, 2015
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Filed pursuant to Rule 424(b)(4)
Registration No. 333-203477

PROSPECTUS

11,000,000 American Depositary Shares

Baozun Inc.

REPRESENTING 33,000,000 CLASS A ORDINARY SHARES

Baozun Inc. is offering American depository shares, or ADSs, each representing three of our Class A ordinary shares, par value US$0.0001. This is our initial public offering and no public market currently exists for our ADSs or ordinary shares.

Upon the completion of this offering, 132,524,574 Class A ordinary shares and 13,300,738 Class B ordinary shares of our company will be issued and outstanding, assuming that the underwriters do not exercise their option to purchase additional ADSs. Holders of Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights. Each Class A ordinary share will be entitled to one vote and each Class B ordinary share will be entitled to ten votes on all matters subject to shareholder vote. 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 completion of this offering, Mr. Vincent Wenbin Qiu and Mr. Junhua Wu will beneficially own 9,410,369 and 3,890,369 Class B ordinary shares, respectively. Together, they will beneficially own all our issued Class B ordinary shares, which will represent 50.1% of our aggregate voting power, assuming that the underwriters do not exercise their option to purchase additional ADSs.

We have received approval for listing the ADSs on the NASDAQ Global Select Market under the symbol BZUN.

We are an emerging growth company under applicable U.S. federal securities laws and are eligible for reduced public company reporting requirements.

Investing in the ADSs involves risks. See Risk Factors beginning on page 16.

PRICE US$10.00 PER ADS

	Price to Public	Underwriting Discounts and Commissions [(1)]	Proceeds to Baozun
Per ADS	*US$ 10.00*	*US$ 0.70*	*US$ 9.30*
Total	*US$110,000,000*	*US$7,700,000*	*US$102,300,000*

(1) We have agreed to reimburse the underwriters for certain expenses in connection with this offering. See Underwriting.

Baozun has granted the underwriters the right to purchase up to an additional 1,650,000 ADSs to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the ADSs to purchasers in New York, New York on May 27, 2015.

MORGAN STANLEY *CREDIT SUISSE* *BofA MERRILL LYNCH*

May 20, 2015

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You should rely only on the information contained in this prospectus or in any related free writing prospectus that we have filed with the SEC. We have not authorized anyone to provide you with information that is different. This prospectus may only be used where it is legal to offer and sell these securities. The information contained in this prospectus is current only as of its date.

Until June 14, 2015 (the 25th day after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer s obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Neither we nor any of the underwriters has done anything that would permit this offering or possession or distribution of this prospectus or any filed free writing prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who came into possession of this prospectus or any filed free writing prospectus must inform themselves about, and observe any restrictions relating to, the offering of the ADSs and the distribution of this prospectus or any filed free writing prospectus outside the United States.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this prospectus. In addition to this summary, we urge you to read the entire prospectus carefully, especially the risks of investing in our ADSs discussed under Risk Factors, before deciding whether to buy our ADSs. This prospectus contains information from an industry report commissioned by us and prepared by iResearch Consulting Group, a third-party research firm, to provide information on the e-commerce, brand e-commerce and e-commerce solutions markets. We refer to this report as the iResearch Report.

OUR BUSINESS

We are the leading brand e-commerce solutions provider in China, with a market share of approximately 20% as measured by transaction value in 2014, according to the iResearch Report. Our integrated brand e-commerce capabilities encompass all aspects of the e-commerce value chain covering IT solutions, store operations, digital marketing, customer services, warehousing and fulfillment. We help brand partners execute their e-commerce strategies in China by selling their goods directly to customers online or by providing services to assist with their e-commerce operations.

With e-commerce in China growing rapidly in both scale and complexity, more global brands view e-commerce as a valuable part of their China expansion strategy, and brands look to us as a trusted partner and rely on our local knowledge and industry expertise to execute and integrate e-commerce strategies without the investment associated with establishing and maintaining local infrastructure and capabilities on their own.

The number of our brand partners grew from 56 as of December 31, 2012, to 71 as of December 31, 2013, to 93 as of December 31, 2014 and to 94 as of March 31, 2015. These brands cover diverse categories, including apparel, appliances, electronics, home, food and health, cosmetics and fast moving consumer goods, insurance and automobile. Many of our brand partners occupy leading positions in their respective industries, such as Philips, Nike, Microsoft and Haagen-Dazs. According to the iResearch Report, we are the leading brand e-commerce solutions provider in China that has penetrated into the most diversified and comprehensive range of categories.

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. Our end-to-end brand e-commerce capabilities allow us to leverage brand partners unique resources and seamlessly integrate with their back-end systems to enable data tracking and analytics for the full transaction value chain, making us a valuable part of our brand partners e-commerce functions. We help our brand partners establish market presence and launch products quickly on official brand stores and major online marketplaces in China, such as Tmall and JD.com, as well as social media platforms such as Weixin. We also help our brand partners devise and execute O2O strategies combining the strengths of their online and offline retail networks. By enabling seamless shopping experience across various channels both online and offline, we deliver omni-channel solutions to achieve optimal branding effect and sales results that are responsive to our brand partners individual e-commerce objectives.

Our store operation capabilities, logistics network and warehousing capacities are crucial to our success. We provide customizable solutions and dedicated personnel with relevant industry experience and brand-specific training in operating e-commerce stores. We partner with leading nationwide and local logistics services providers to ensure reliable and timely delivery. For example, we understand from SF Express, one of the largest express delivery services in China, that we are one of its top 10 customers in China. We are able to achieve next-day delivery in 95 cities across China. We operate five warehouses with an aggregate gross floor area of 72,800 square meters that can handle 300,000 daily orders and 400,000 daily pieces. Our warehouse management system

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is customized to account for variance in arrangements with brand partners and differences in product specifications, ranging from apparel, electronics to beauty and health products.

Technology is key to our success and quick expansion. Leveraging our proprietary and scalable technology infrastructure and systems, we provide integrated e-commerce solutions that synchronize marketing campaigns, centralize management of inventory, order fulfillment and customer service, and collect and analyze real-time consumer behavior and transaction data across internet, mobile and offline channels. The scalability of our systems, built on deep vertical knowledge and modular implementation, allows us to efficiently provide customized solutions across categories and support an increasingly larger array of transactions as we add new brands, integrate new channels and accommodate peaks and surges in consumer demand.

We continue to win brands loyalty with our track record of articulating their marketing needs into workable solutions that consistently deliver tangible sales results. We collect valuable consumer behavior data through our customer relationship management system. We have also developed our Business Intelligence, or BI, software which enables real-time analysis of transaction data across online and mobile channels to make more targeted and insightful marketing recommendations to our brand partners that leverage the strengths of various channels. We believe that, as we increase our solution offerings and channels to our brand partners, launch more marketing initiatives and campaigns together and increase their sales, the stickiness of our relationships with brand partners will also grow.

We generate revenues from two revenue streams: (i) product sales and (ii) services. We generally operate e-commerce businesses for our brand partners based on one of three business models: distribution model, service fee model and consignment model, or in some circumstances, a combination of the business models. We derive product sales revenues when we sell products to customers under the distribution model. We derive services revenues under the service fee model and consignment model. For services provided, we charge our brand partners fees consisting of fixed fees and/or variable fees based on GMV or other variable factors such as number of orders fulfilled. Under the consignment model, we may also facilitate brand partners online sales of products as an agent and receive commission fee calculated based on a formula pre-agreed with our brand partners. In 2012, 2013, 2014 and the three months ended March 31, 2014 and 2015, net revenues from product sales accounted for 85.9%, 83.8%, 74.9%, 73.7% and 74.1%, respectively, of our total net revenues.

Our GMV was RMB1,460.4 million, RMB2,620.8 million, RMB4,248.9 million (US$685.4 million), RMB573.7 million and RMB1,157.0 million (US$186.6 million) in 2012, 2013, and 2014 and the three months ended March 31, 2014 and 2015, respectively. For the same periods, our total net revenues were RMB954.5 million, RMB1,521.8 million, RMB1,584.4 million (US$255.6 million), RMB268.5 million and RMB477.2 million (US$76.9 million), respectively. We incurred net loss of RMB47.2 million, RMB37.8 million and RMB59.8 million (US$9.6 million) in 2012, 2013 and 2014, respectively, and recorded net income of, RMB1.8 million and RMB2.0 million (US$0.3 million) in the three months ended March 31, 2014 and 2015 respectively. We incurred non-GAAP net loss of RMB42.7 million and RMB26.3 million in 2012 and 2013, respectively, and had non-GAAP net income of RMB25.1 million (US$4.0 million), RMB3.4 million and RMB7.6 million (US$1.2 million) in 2014 and the three months ended March 31, 2014 and 2015, respectively. See Summary Consolidated Financial and Operating Data Non-GAAP Financial Measure.

OUR INDUSTRY

Brand e-commerce refers to business-to-consumer, or B2C, e-commerce conducted through official brand stores and official marketplace stores. Brand e-commerce differentiates itself from other models of B2C e-commerce, such as independent direct sales platforms and online stores operated by brands offline distributors, as it enables the online stores to be operated with the brands unique brand image, look and feel and allows the brands to control their own branding and merchandising.

With the growth and rising popularity of e-commerce in China, global brands view e-commerce as an important part of their China expansion strategy, and increasingly elect e-commerce as their key distribution

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channel in China. Brand e-commerce has experienced and is expected to continue to experience a higher growth rate compared to the overall B2C e-commerce market in China. According to the iResearch Report, China s brand e-commerce market is expected to increase from RMB22 billion (US$4 billion) in 2010 to RMB800 billion (US$129 billion) in 2014, representing a CAGR of 145.7%. It is expected to further reach RMB2,352 billion (US$379 billion) in 2017, at a CAGR of 43.3%.

While international and domestic brands are increasingly focusing on the growth opportunities in brand e-commerce in China, they also face challenges arising from the complexity in distribution channel selection, consumer demands, merchandising, online store operations, technology infrastructure, warehousing and fulfillment. As such, brands look to solutions providers with local knowledge and industry expertise to execute and integrate e-commerce strategies for them without the investment associated with establishing and maintaining local infrastructure and capabilities on their own. With their in-depth understanding of industry vertical expertise and brand partners needs, end-to-end brand e-commerce solution providers offer one-stop solutions across the e-commerce value chain for brands while enabling them to maintain a high level of quality and control.

The brand e-commerce solutions market in China is still in its emerging stage of development. It is expected to ride on the strong growth in China s brand e-commerce sector and further increase market penetration. According to the iResearch Report, the market size of the brand e-commerce solutions market in China based on transaction value is expected to grow from RMB26 billion (US$4 billion) in 2014 to close to RMB100 billion (US$16 billion) in 2017, representing a CAGR of 56.7%.

OUR STRENGTHS

We believe that the following competitive strengths contribute to our leading position in the brand e-commerce solutions market in China:

- leader in brand e-commerce solutions and trusted partner to global brands;
- end-to-end brand e-commerce solutions with omni-channel capabilities;
- proven store operation capabilities and fulfillment infrastructure;
- scalable and reliable proprietary technology;
- robust and insightful digital marketing capabilities; and
- proven and experienced management team with deep industry knowledge.

OUR STRATEGIES

Our goal is to be a leading global e-commerce solutions provider for brands. We plan to achieve our goal by pursuing the following key strategies:

- deepen existing relationships with brands;
- expand and optimize our brand portfolio;
- enhance our fulfillment capabilities;
- strengthen our data analysis capabilities;
- grow our closeout retail platform, Maikefeng;
- extend our geographical reach in Asia; and
- selectively pursue strategic alliances and acquisition opportunities.

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OUR CHALLENGES

Our ability to achieve our goal and execute our strategies is subject to risks and uncertainties, including those relating to our ability to:

- manage risks associated with the growth of the e-commerce market in China;
- retain and attract brand partners;
- gain further category expertise;
- increase product sales;
- increase revenues generated from services;
- enhance cooperation with marketplaces and other channel partners;
- successfully expand and operate our business in Asia;
- innovate and grow our new product and service offerings, such as our closeout retail platform Maikefeng;
- manage our revenue and product mix;
- effectively invest in our fulfillment infrastructure and technology platform; and
- manage growth, costs and working capital.

We also face other challenges, risks and uncertainties that may materially and adversely affect our business, financial condition, results of operations and prospects. You should refer to Risk Factors , beginning on page 16, for a more detailed discussion of the risks involved in investing in our ADSs. For example, as holders of ADSs, you may have fewer rights than holders of our Class A ordinary shares and must act through the depositary to exercise those rights.

CORPORATE HISTORY AND STRUCTURE

We are a holding company and operate our business through our wholly-owned subsidiaries and a PRC consolidated variable interest entity, or VIE. We commenced operations to provide brand e-commerce solutions in China in August 2007 through Shanghai Baozun E-Commerce Limited, or Shanghai Baozun, a PRC limited liability company founded by our CEO Mr. Vincent Wenbin Qiu, our COO Mr. Junhua Wu, one of our directors 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, 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. We changed our holding company s name from Baozun Cayman Inc. to Baozun Inc. in March 2015.

The operation of value-added telecommunications businesses in China requires an operating license, which we refer to as an ICP license, and foreign ownership of value-added telecommunications business is subject to restrictions under current PRC laws, rules and regulations. Although our current business does not require an ICP license, we hold an ICP license through our VIE, Shanghai Zunyi Business Consulting Ltd., or Shanghai Zunyi, which is the operator of our Maikefeng platform, to provide us with the flexibility to develop value-added telecommunications services in the future that would be in compliance with PRC laws, rules 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. Shanghai Zunyi was a dormant company before July 2014 and began serving customers through our Maikefeng platform, including our Maikefeng mobile application and mkf.com website, in July 2014.

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.

As a holding company, our ability to pay dividends depends upon dividends and other distributions on equity paid to us by our principal operating subsidiaries. Pursuant to PRC laws and regulations, our wholly owned subsidiaries may pay dividends only out of their retained earnings, and are required to set aside a portion of their net income each year to fund certain statutory reserves. These reserves, together with the registered equity, are not distributable as cash dividends. See Risk Factors Risks Related to Doing Business in the People s Republic of China We 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. and Regulation Regulation of Dividend Distribution.

For our private placement of ordinary shares and convertible redeemable preferred shares, see Description of Share Capital History of Securities Issuances.

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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 prospectus:

Note:

(1) Shanghai Zunyi is our VIE in China and is 80% owned by Mr. Vincent Wenbin Qiu and 20% owned by Mr. Michael Qingyu Zhang. It primarily serves as our platform for developing our Maikefeng business.

CORPORATE INFORMATION

Our principal executive offices are located at Building No. H, No. 1188 Wanrong Road, Zhabei District, Shanghai 200436, the People s Republic of China. Our telephone number at this address is +86 21 6095-6000. Our registered office in the Cayman Islands is located at the offices of Novasage Incorporations (Cayman) Limited, at Floor 4, Willow House, Cricket Square, P.O. Box 2582, Grand Cayman KY1-1103, Cayman Islands.

Investors should submit any inquiries to the address and telephone number of our principal executive offices. Our corporate website is *www.baozun.com*. The information contained on our website is not a part of this prospectus. Our agent for service of process in the United States is Law Debenture Corporate Services Inc., located at 400 Madison Avenue, 4th Floor, New York, NY 10017.

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IMPLICATIONS OF BEING AN EMERGING GROWTH COMPANY

As a company with less than US$1 billion in revenue during our last fiscal year, we qualify as an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. For so long as we remain an emerging growth company, we are permitted to rely on exemptions from some of the reporting requirements that are applicable to public companies that are not emerging growth companies. These exemptions include:

- being permitted to provide only two years of selected financial data (rather than five years) and only two years of audited financial statements (rather than three years), in addition to any required unaudited interim financial statements, with correspondingly reduced Management s Discussion and Analysis of Financial Condition and Results of Operations disclosure;

- not being required to comply with the auditor attestation requirements of the Sarbanes-Oxley Act of 2002 in the assessment of our internal control over financial reporting; and

- not being required to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards.

We have taken, and may continue to take, advantage of some of these exemptions until we are no longer an emerging growth company. We have, however, elected to opt out of the last exemption listed above and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

We will remain an emerging growth company until the earliest of (a) the last day of the fiscal year following the fifth anniversary of the completion of this offering, (b) the last day of the fiscal year in which we have total annual gross revenue of at least US$1 billion, (c) the date on which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds US$700 million as of the prior June 30, and (d) the date on which we have issued more than US$1 billion in non-convertible debt during the prior three-year period.

CONVENTIONS THAT APPLY TO THIS PROSPECTUS

Unless otherwise indicated or the context otherwise requires, references in this prospectus 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, refer to Baozun Inc., a Cayman Islands company, formerly known as Baozun Cayman In and unless the context requires otherwise, includes its consolidated subsidiaries and variable interest entity;

brand e-commerce are to B2C e-commerce conducted through official brand stores or official marketplace stores;

brand partners are to companies for which we operate official brand stores or official marketplace stores under their brand names or have entered into agreements to do so;

China and the PRC are to the People s Republic of China, excluding, for the purpose of this prospectus only, Taiwan and the special administrative regions of Hong Kong and Macau;

GMV are to gross merchandise volume, which is (i) the full value of all purchases transacted and settled on the stores operated by us (including our Maikefeng platform but excluding stores for the operations of which we only charge fixed fees) and (ii) the full value of purchases for which customers 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;

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 ordinary shares, par value US$0.0001 per share, prior to the completion of this offering, and to our Class A and Class B ordinary shares, par value US$0.0001 per share upon and after the completion of this offering;

transaction value are to the value of all purchases made through stores operated by a brand e-commerce service provider, and such definition is consistent with the iResearch Report; and

US$ and U.S. dollars are to the legal currency of the United States.

Unless otherwise indicated, information in this prospectus assumes that the underwriters do not exercise their option to purchase 1,650,000 additional ADSs, representing 4,950,000 Class A ordinary shares.

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THE OFFERING

Offering price	US$10.00 per ADS.
ADSs offered by us and outstanding immediately after this offering	11,000,000 ADSs (or 12,650,000 ADSs if the underwriters exercise their over-allotment option in full).
Ordinary shares outstanding immediately after this offering	145,825,312 ordinary shares (or 150,775,312 ordinary shares if the underwriters exercise their over-allotment option in full), comprising (i) 132,524,574 Class A ordinary shares, par value US$0.0001 per share (or 137,474,574 Class A ordinary shares if the underwriters exercise their over-allotment option in full), and (ii) 13,300,738 Class B ordinary shares, par value US$0.0001 per share.
The ADSs	Each ADS represents three Class A ordinary shares, par value US$0.0001 per share. The ADSs may be evidenced by an ADR.
	The depositary will hold the Class A ordinary shares underlying your ADSs. You will have rights as provided in the deposit agreement among us, the depositary and holders and beneficial owners of ADSs from time to time.
	We do not expect to pay dividends in the foreseeable future. If, however, we declare dividends on our ordinary shares, the depositary will pay you the cash dividends and other distributions it receives on our Class A ordinary shares, after deducting its fees and expenses in accordance with the terms set forth in the deposit agreement.
	You may turn in your ADSs to the depositary in exchange for Class A ordinary shares. The depositary will charge you fees for any exchange.
	We may amend or terminate the deposit agreement without your consent. If you continue to hold your ADSs after an amendment to the deposit agreement, you agree to be bound by the deposit agreement as amended.
	To better understand the terms of the ADSs, you should carefully read the Description of American Depositary Shares section of this prospectus. You should also read the deposit agreement, which is filed as an exhibit to the registration statement that includes this prospectus.
Ordinary Shares	Our ordinary shares will be divided into Class A ordinary shares and Class B ordinary shares upon and after completion of this offering. On all matters subject to shareholders vote, holders of Class A

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	ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to ten votes per share. We plan to issue Class A ordinary shares represented by our ADSs in this offering. Upon any transfer of a Class B ordinary share by its holder to any person who is not an affiliate of such holder as defined in our fourth amended and restated memorandum and articles of association, such Class B ordinary share shall automatically and immediately convert into one Class A ordinary share. Class B ordinary shares may be converted into an equal number of Class A ordinary shares at any time at the election of the holder of the Class B ordinary shares. In no event shall Class A ordinary shares be convertible into Class B ordinary shares. For more information on our ordinary shares, you should refer to the Description of Share Capital section of this prospectus.
Over-allotment option	We have granted the underwriters an option, exercisable within 30 days from the date of this prospectus, to purchase up to an 1,650,000 additional ADSs representing 4,950,000 Class A ordinary shares.
Use of proceeds	We expect that we will receive net proceeds of approximately US$98.3 million from this offering (or approximately US$113.7 million if the underwriters exercise their option to purchase additional ADSs in full), based on the initial public offering price of US$10.00 per ADS, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering as follows: approximately US$32.3 million for investment in sales and marketing activities; approximately US$25.8 million for investment in our research and development and technology infrastructure; approximately US$12.9 million for expansion of our warehousing and fulfillment infrastructure; and the balance for general corporate purposes, working capital and potential acquisitions, investments and alliances (although we have no present commitments or agreements to enter into any acquisitions, investments or alliances). See Use of Proceeds for more information.
Lock-up	We, our directors, executive officers and all of our existing shareholders have agreed with the underwriters not to sell, transfer or dispose of any of our ADSs, ordinary shares or similar securities for a period of 180 days after the date of this prospectus without the prior written consent of the representatives of the underwriters subject to certain exceptions. See Underwriting.

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Listing	Prior to this offering, there has been no public market for our ordinary shares or ADSs. We have received approval for listing the ADSs on the NASDAQ Global Select Market under the symbol BZUN. Our ADSs and shares will not be listed on any other stock exchange or traded on any automated quotation system.
Reserved ADSs	At our request, the underwriters have reserved for sale, at the initial public offering price, up to 6% of the ADSs offered in this offering (assuming the underwriters do not exercise their option to purchase additional ADSs) to some of our directors, officers, employees, business associates and related persons through a directed share program. The directed share program will be administered by Credit Suisse Securities (USA) LLC.
Depositary	JPMorgan Chase Bank, N.A.

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SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA

The following summary consolidated statements of operations data for the years ended December 31, 2012, 2013 and 2014 and summary consolidated balance sheet data as of December 31, 2012, 2013 and 2014 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States, or U.S. GAAP.

The following summary consolidated statements of operations data for the three months ended March 31, 2014 and 2015 and summary consolidated balance sheet data as of March 31, 2015 have been derived from our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and include all adjustments, consisting only of normal and recurring adjustments, that we consider necessary for a fair presentation of our financial position and operating results for the periods presented.

You should read this Summary Consolidated Financial and Operating Data section together with our consolidated financial statements and the related notes and the Management s Discussion and Analysis of Financial Condition and Results of Operations section included elsewhere in this prospectus. Our historical results are not necessarily indicative of results expected for future periods.

	For the Year Ended December 31,				For the Three Months Ended March 31,		
	2012	2013	2014		2014	2015	
	RMB	RMB	RMB	US$	RMB	RMB	US$
	(in thousands, except for per share and per ADS data and number of shares)						
Consolidated Statement of Operations Information							
Net revenues							
Product sales	819,422	1,274,746	1,187,162	191,509	197,747	353,653	57,050
Services	135,042	247,090	397,258	64,084	70,731	123,546	19,930
Total net revenues	954,464	1,521,836	1,584,420	255,593	268,478	477,199	76,980
Operating expenses[(1)]							
Cost of products	(808,063)	(1,245,832)	(1,086,133)	(175,211)	(182,593)	(322,929)	(52,094)
Fulfillment	(72,026)	(116,432)	(168,130)	(27,122)	(29,295)	(52,149)	(8,412)
Sales and marketing	(78,633)	(146,202)	(226,952)	(36,610)	(35,167)	(73,888)	(11,919)
Technology and content	(6,554)	(16,120)	(63,607)	(10,261)	(8,073)	(12,607)	(2,034)
General and administrative	(33,461)	(38,160)	(96,911)	(15,633)	(12,141)	(12,402)	(2,001)
Other operating expenses, net	(122)	(75)	457	74	(190)	(474)	(76)
Total operating expenses	(998,859)	(1,562,821)	(1,641,276)	(264,763)	(267,459)	(474,449)	(76,536)
Income (loss) from operations	(44,395)	(40,985)	(56,856)	(9,170)	1,019	2,750	444
Other income (expenses)							
Interest income	122	4,574	3,156	509	1,053	575	93
Interest expenses	(3,275)	(677)	(1,552)	(250)			
Exchange gain (loss)	314	(376)	(2,650)	(427)	(1)	(505)	(81)
Income (loss) before income tax and share of loss in equity method investment	(47,234)	(37,464)	(57,902)	(9,338)	2,071	2,820	456
Income tax benefit (expenses)		(307)	(1,912)	(308)	(308)	986	159
Income (loss) before share of loss in equity method investment	(47,234)	(37,771)	(59,814)	(9,646)	1,763	3,806	615
Share of loss in equity method investment						(1,824)	(294)

Net income (loss)	(47,234)	(37,771)	(59,814)	(9,646)	1,763	1,982	321
Deemed dividend from issuance of preferred shares	(4,683)		(16,666)	(2,688)			
Change in redemption value of convertible redeemable preferred shares	(16,231)	(61,435)	(79,169)	(12,771)	(17,074)	(25,332)	(4,086)
Net loss attributable to ordinary shareholders	(68,148)	(99,206)	(155,649)	(25,105)	(15,311)	(23,350)	(3,765)

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	For the Year Ended December 31,				For the Three Months Ended March 31,		
	2012	2013	2014		2014	2015	
	RMB	RMB	RMB	US$	RMB	RMB	US$
	(in thousands, except for per share and per ADS data and number of shares)						
Net loss per share attributable to ordinary shareholders							
Basic	(2.27)	(3.31)	(5.31)	(0.86)	(0.51)	(0.83)	(0.13)
Diluted	(2.27)	(3.31)	(5.31)	(0.86)	(0.51)	(0.83)	(0.13)
Net loss per ADS(2)							
Basic	(6.81)	(9.93)	(15.93)	(2.58)	(1.53)	(2.49)	(0.39)
Diluted	(6.81)	(9.93)	(15.93)	(2.58)	(1.53)	(2.49)	(0.39)
Weighted average shares used in calculating net loss per ordinary share							
Basic	29,983,883	29,983,883	29,314,067	29,314,067	29,983,883	28,058,820	28,058,820
Diluted	29,983,883	29,983,883	29,314,067	29,314,067	29,983,883	28,058,820	28,058,820
Non-GAAP Financial Measure(3):							
Non-GAAP net income/(loss)	(42,708)	(26,265)	25,149	4,060	3,350	7,644	1,234

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

	For the Year Ended December 31,				For the Three Months Ended March 31,		
	2012	2013	2014		2014	2015	
	RMB	RMB	RMB	US$	RMB	RMB	US$
	(in thousands)						
Fulfillment	(73)	(584)	(460)	(74)	(69)	(345)	(56)
Sales and marketing	(685)	(5,822)	(5,469)	(882)	(950)	(2,808)	(453)
Technology and content	(159)	(1,608)	(26,311)	(4,244)	(207)	(968)	(156)
General and administrative	(3,609)	(3,492)	(52,723)	(8,506)	(361)	(1,541)	(249)
	4,526	11,506	84,963	13,706	1,587	5,662	913

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

(3) See Non-GAAP Financial Measure.

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	As of December 31,				As of March 31,					
	2012	2013	2014		2015					
	RMB	RMB	RMB	US$	RMB	US$	RMB	US$	RMB	US$
							Pro forma[1]		Pro forma as adjusted[2]	
	(in thousands, except per share and per ADS data and number of shares)									
Consolidated Balance Sheet Information										
Cash and cash equivalents	270,077	154,156	206,391	33,294	175,808	28,361	175,808	28,361	785,336	126,688
Restricted cash		36,000	37,900	6,114	30,990	4,999	30,990	4,999	30,990	4,999
Accounts receivable, net	57,448	106,468	229,502	37,022	271,298	43,767	271,298	43,767	271,298	43,767
Inventories	72,412	133,347	242,978	39,196	197,601	31,876	197,601	31,876	197,601	31,876
Total assets	465,179	531,447	872,514	140,749	852,755	137,565	852,755	137,565	1,462,283	235,892
Accounts payable	56,978	173,810	300,007	48,395	294,935	47,579	294,935	47,579	294,935	47,579
Short-term borrowings	48,774									
Total liabilities	144,504	225,082	393,458	63,470	366,105	59,061	366,105	59,061	366,105	59,061
Series A convertible redeemable preferred shares	44,187	49,170	55,924	9,021	57,572	9,287				
Series B convertible redeemable preferred shares	162,195	180,182	202,125	32,606	208,082	33,567				
Series C-1 convertible redeemable preferred shares	258,923	308,848	355,176	57,296	367,629	59,305				
Series C-2 convertible redeemable preferred shares			37,630	6,070	37,630	6,070				
Series D convertible redeemable preferred shares			150,430	24,267	155,704	25,118				
Shareholder s equity/(deficit)	(144,630)	(232,375)	(322,229)	(51,981)	(339,967)	(54,843)	486,650	78,504	1,096,178	176,831
Total liabilities, convertible redeemable preferred shares and shareholders deficit	465,179	531,447	872,514	140,749	852,755	137,565	852,755	137,565	1,462,283	235,892

(1) The pro forma balance sheet information as of March 31, 2015 assumes the conversion upon completion of the initial public offering of all convertible redeemable preferred shares outstanding as of March 31, 2015 into ordinary shares.

(2) Reflects (i) the automatic conversion of all of our convertible redeemable preferred shares upon the completion of this offering and (ii) the issuance and sale by us of 33,000,000 Class A ordinary shares represented by 11,000,000 ADSs in this offering at the public offering price of US$10.00 per ADS, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, and further assuming no exercise by the underwriters of over-allotment option.

The following table sets forth the following operating data for each period indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2012	2013	2014	2014	2015
Number of brand partners as of the period end[1]	56	71	93	78	94
Number of GMV brand partners as of the period end[2]	53	61	78	66	84
Total GMV[3] (RMB in millions)	1,460[4]	2,621[4]	4,249[4]	574[4]	1,157[4]
Average GMV per GMV brand partner[5]	30	46	61	9.0	14.0

(1) Brand partners are defined as companies for which we operate official brand stores or official marketplace stores under their brand names or have entered into agreements to do so.
(2) GMV brand partners are defined as brand partners that contributed to our GMV during the respective periods.

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(3) GMV is defined as (i) the full value of all purchases transacted and settled on stores operated by us (including our Maikefeng platform but excluding stores for the operations of which we only charge fixed fees) and (ii) the full value of purchases for which customers 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.
(4) GMV of our Maikefeng platform was nil, nil, RMB33.9 million (US$5.5 million), RMB0.2 million and RMB22.5 million (US$3.6 million) in 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, respectively.
(5) Average GMV per GMV brand partner is calculated by dividing GMV (excluding Maikefeng) by the average number of GMV brand partners as of the beginning and end of the respective periods.

Non-GAAP Financial Measure

In evaluating our business, we consider and use one non-GAAP measure, non-GAAP net income/(loss), as a supplemental measure to review and assess our operating performance. The presentation of this non-GAAP financial measure 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. We define non-GAAP net income/(loss) as net income/(loss) excluding share-based compensation expenses.

We present the non-GAAP financial measure because it is used by our management to evaluate our operating performance and formulate business plans. Non-GAAP net income/(loss) enables our management to assess our operating results without considering the impact of share-based compensation expenses. We also believe that the use of the non-GAAP measure facilitate investors assessment of our operating performance.

The non-GAAP financial measure is not defined under U.S. GAAP and is not presented in accordance with U.S. GAAP. The non-GAAP financial measure has limitations as an analytical tool. One of the key limitations of using non-GAAP net income/(loss) is that it does not reflect all items of income and expense that affect our operations. Share-based compensation expenses have been and may continue to be incurred in our business and is not reflected in the presentation of non-GAAP net income/(loss). Further, the non-GAAP measure may differ from the non-GAAP information used by other companies, including peer companies, and therefore their comparability may be limited.

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.

The following table reconciles our non-GAAP net income/(loss) in 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015 to the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP, which is net income/(loss):

	For the Year Ended December 31,				For the Three Months Ended March 31,		
	2012	2013	2014		2014	2015	
	RMB	RMB	RMB	US$	RMB	RMB	US$
	(in thousands)						
Reconciliation of Net Loss to Non-GAAP Net Income/(Loss):							
Net income/(loss)	(47,234)	(37,771)	(59,814)	(9,646)	1,763	1,982	321

Add: Share-based compensation	4,526	11,506	84,963	13,706	1,587	5,662	913
Non-GAAP net income/(loss)	**(42,708)**	**(26,265)**	**25,149**	**4,060**	**3,350**	**7,644**	**1,234**

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RISK FACTORS

An investment in our ADSs involves material risks. You should carefully consider the risks and uncertainties set forth below, as well as all of the other information included in this prospectus, before deciding to invest in our ADSs. The occurrence of any of the following risks could materially and adversely affect our business, financial condition, results of operations and prospects. In any such case, the market price of our ADSs could decline and you could lose all or part 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 brand partners to use our services and solutions depends on whether e-commerce will continue to be widely accepted. While online retail has existed in China since the 1990s, only recently have large online retail companies become profitable. The long-term viability and prospects of the online retail business in China remain relatively untested. 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 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 optimize our brand partner base will be successful or will not have any 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 have financial difficulties, suffer impairment of their brands or if the profitability of, or demand for, their products decreases, 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 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 solutions to brand partners primarily pursuant to annual and bi-annual contractual arrangements. 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 2014, net revenues related to our top two brand partners comprised approximately 30% and 22% of our total net revenues, respectively. In the three months ended March 31, 2015, net revenues related to our top two brand partners comprised approximately 32% and 23% of our total net revenues, respectively. Some of our other brand partners also contributed significantly to our total GMV while our net revenues related to them were less significant (each less than 10% of our total net revenues in 2014) 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 such a brand partner terminates or do not renew its business relationship with us, our GMV may be materially and adversely affected. Net revenues related to our top 10 brand partners in the aggregate comprised approximately 76% and 75% of our total net revenues in 2014 and the three months ended March 31, 2015, respectively. 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 grown our brand partner base, our results of operations may be materially and adversely affected.

Some of our existing brand partners do not allow us to sell products of, or provide similar services to, their competitors, which has restricted and may continue to restrict the development and expansion of our business, including the business operation of Maikefeng, our closeout retail platform which we launched in 2014. We have a variety of products on Maikefeng, some of which may be manufactured or distributed by competitors of our existing brand partners. If the operation of Maikefeng is considered by such brand partners as a breach under relevant distribution and service contracts with them, they may request an early termination of such contracts and claim for damages or other liabilities against us, as a result of which our business operations and reputations may be materially and adversely affected. Further, with the expansion in our business, we may be subject to similar non-compete restrictions requested from existing and future brand partners. Compliance with such restrictions will limit our ability to expand our business. If we are found by these brand partners to be in violation of the non-compete restrictions, we may be subject to breach liabilities, as a result of which our financial condition and results of operations may be materially and adversely affected.

We have incurred significant net losses since inception and may not be able to achieve and subsequently maintain profitability.

We incurred net losses of RMB47.2 million, RMB37.8 million and RMB59.8 million (US$9.6 million) during the years ended December 31, 2012, 2013 and 2014, respectively. While we recorded net income of RMB1.8 million and RMB2.0 million (US$0.3 million) during the three months ended March 31, 2014 and 2015, respectively, we cannot assure you that we will not incur net loss in the future. We anticipate that our operating expenses will increase substantially in the foreseeable future as we increase the scale of our operations. As a result, we can provide no assurance as to when or whether we will achieve profitability. In addition, as we will become a public company, we have begun, and will continue, to incur significant accounting, legal and other expenses that we did not incur as a private company. To achieve profitability, we will need to increase our revenue sufficiently to offset these higher expenses or increase sales of the products and services that have higher profitability or significantly reduce our expense level and if we are forced to reduce our expenses, our growth strategy could be compromised. If we are not able to achieve or subsequently maintain profitability, the value of our company and our ADSs could decline significantly.

In addition, our growth and profitability are affected by our revenue mix, which may vary over time because we work with our brand partners under different combinations of business models to achieve their objectives. Accordingly, our historical performance may not be indicative of future operating results. For more information, please see Business Our Business Models and Solutions.

We rely in part on a pricing model under which a variable portion of the revenues we generate from our brand partners is based upon the amount of GMV, and any change in the attractiveness of that model may adversely affect our financial results.

We have adopted a pricing model under which a portion of the revenues we generate from our brand partners is variable based on our GMV. If our GMV were to decline, or if our brand partners were to demand fixed pricing terms that do not provide for any variability based on the full value of all purchases transacted and settled on the stores operated by us, our revenues and profitability may be adversely affected.

If we fail to maintain our relationships with 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 but not limited to marketplaces, social media and mobile channels. These e-commerce channels have no obligation to do business with us or to allow us 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. 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 brand partners ability to use our solutions to sell their products on those channels, or may adversely affect GMV that our brand partners can sell on those channels or reduce the desirability of selling on those channels. Further, these channels could decide to acquire similar capabilities that we possess and compete with us. Any of these could cause our brand partners to re-evaluate the value of our solutions and services and potentially terminate their relationships with us, which would 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.

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. Increased competition may result in reduced pricing 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 continue using or developing applications or building e-commerce teams or infrastructures in-house, rather than paying 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 devote greater resources to the promotion and sales of their products and services than we can;
- Current and potential competitors may offer software that addresses one or more online channel management 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 and unlawful access of 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. Because we operate on a limited number of e-commerce channels, the adverse effects of such downtime and disruption could be significant to our operations as a whole.

We may not be successful in growing our Maikefeng platform.

Since our inception, we have focused on providing e-commerce services and solutions to brand partners. In March 2014, we expanded our business to extend our product and service offerings to cover the entire product life cycle for our brand partners, and launched our closeout retail online platform, Maikefeng, which offers authentic and high-quality products at discounted prices through our Maikefeng mobile application and mkf.com website. Our relatively short history in operating a closeout retail platform may make it difficult for us to grow our Maikefeng platform. If we cannot successfully address new challenges and 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. In addition, the operations of our Maikefeng platform are subject to volatility because it is at an early stage of development, and such volatility may affect our results of operations.

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

We currently serve brand partners in the apparel, appliances, electronics, home, food and health, cosmetics, insurance and automobile categories. In the future, we may provide services to brand partners in new product categories in which we have limited experience and operating history. 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 address new challenges and 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 (which is an online sales promotion event and falls on November 11 of each year) 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 holiday seasons, we increase our inventory levels and incur additional expenses such as by hiring a significant number of temporary employees to supplement our permanent staff. If our revenues are below seasonal expectations during these dates, 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 seasonal pattern of our sales and 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 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, we may experience system interruptions that make such online stores unavailable or prevent us from transmitting orders to our fulfillment operations, which 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 holiday 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, which could reduce profits.

We have experienced rapid growth in recent years, and failure to adequately manage our expansion could impair our ability to deliver high-quality solutions to our brand partners.

Expansion has placed, and continues to place, significant strain on our management and resources. To accommodate our growth, we anticipate that we will need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including the improvement of our accounting and other internal management systems. We will also need to continue to expand, train, manage and motivate our workforce and manage our relationships with our brand partners, suppliers, third-party merchants and other service providers. All of these endeavors involve risks and will require substantial management effort and significant additional expenditures. We cannot assure you that we will be able to manage our growth or execute our strategies effectively, and any failure to do so may have a material adverse effect on our business and prospects.

Our investments in other entities may not be successful and we may incur significant losses as a result.

We have made investments in third parties that are complementary to our business and operations. In the future, we may pursue select strategic alliances or joint ventures and 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 a number of 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, we may not be successful in achieving the strategic objective upon which any given investment or joint venture is premised, and we could lose all or part of our investment. As of March 31, 2015, we had investments in affiliates of RMB14.4 million (US$2.3 million), among which RMB8.7 million (US$1.4 million) represents the carrying value of our investment in Automoney Inc., or Automoney, an automobile performance solution provider in the PRC which we jointly established with an unrelated party investor. We subscribed 50% of its equity interest upon its formation in January 2015 for a cash contribution of RMB10.6 million. Due to the significant influence we have over Automoney s operating and financial policies, we account for our investment in Automoney under the equity method, and as a result, we are required to recognize our share of Automoney s losses in our statement of operations. As Automoney has incurred, and is expected to continue to incur, significant losses in the near future, we recognized RMB1.8 million (US$0.3 million) of loss from equity investment in Automoney in the three months ended March 31, 2015 and expect to recognize even more loss from such equity investment in the near future. We have also paid certain expenses for Automoney, and as of March 31, 2015, we had amounts due from Automoney of RMB3.6 million (US$0.6 million). As Automoney is expected to continue to incur losses, we may lose all of our investment in Automoney as well as the amounts due from Automoney. In addition, we may be required to perform impairment assessment and recognize impairment loss on any of our investments in the future. Any such losses may have a material adverse effect on our results of operations, and in particular, our net income or loss.

We may fail to expand effectively to international markets.

We have been expanding and will continue to expand our business internationally, which may cause our business to be susceptible to international business risks and challenges. We started offering our brand partners end-to-end solutions in Hong Kong in 2013. In October 2014, we established Taiwan Baozun Corporation, a wholly-owned subsidiary, to expand our provision of brand e-commerce solutions to Taiwan. As e-commerce grows in other South East Asian markets, we have also commenced our provision of IT services in Indonesia in 2014. International operations are subject to inherent 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. Any negative impact from our international business efforts could negatively impact our business, operating results and financial condition as a whole. In addition, we may face additional competition from local companies. 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 and inventories effectively, our results of operations, financial condition and liquidity may be materially and adversely affected.

Under the distribution model, we generally grant a credit period of no more than two weeks to the customers of our products. Under the service fee model, we normally charge service fees from our brand partners with a credit period of one month to four months. As of December 31, 2012, 2013 and 2014 and March 31, 2015, our accounts receivables amounted to RMB57.4 million, RMB106.5 million, RMB229.5 million (US$37.0 million) and RMB271.3 million (US$43.8 million), respectively. Our accounts receivables turnover days were 17 days in 2012, 20 days in 2013, 39 days in 2014 and 47 days in the three months ended March 31, 2015. The increases in the amount and turnover days were due to the increases in our sales volumes and our revenues generated from services.

Our inventories have increased significantly in recent periods, from RMB72.4 million as of December 31, 2012 to RMB133.3 million as of December 31, 2013 and RMB243.0 million (US$39.2 million) as of

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December 31, 2014. These increases reflected the additional inventories required to support our substantially expanded sales volumes. While our inventories decreased to RMB197.6 million (US$31.9 million) as of March 31, 2015, the decrease was due to a drop from our typically higher level of inventories during the fourth quarter of the calendar year as suppliers offer better procurement terms towards the end of the year. We cannot assure you that our inventories will not increase again in the future.

As we plan to continue expanding our product sales and our services, the amount and turnover days of our accounts receivables and inventories may continue to increase, which will make it more challenging for us to manage our working capital effectively and our results of operations, financial condition and liquidity may be materially and adversely affected.

We rely on our ability to enter into marketing and promotional arrangements with online services, search engines, directories and other websites to drive traffic to the stores we operate. If we are unable to enter into or properly maintain 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, directories and other web sites 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. If we are unable to maintain these relationships or enter into new arrangements on acceptable terms, our ability to attract new brand partners 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.

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 existing brand partners and attract new brand partners depends in large part on our ability to enhance and improve our existing solutions and introduce new solutions that can adapt quickly to these technological changes on the part of channels. To achieve market acceptance for our solutions, we must effectively anticipate and offer solutions that meet frequently changing channel requirements in a timely manner. If our solutions fail to do so, our ability to renew our contracts with existing brand partners and our ability to create or increase demand for our solutions will be impaired.

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 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.

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 service. 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.

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 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 operates 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, as a result, our fees to be overstated. We have experienced rare instances of such errors in the past and might experience similar occurrences in the future 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.

Our ability to process and fulfill orders accurately depends on the smooth operation of our fulfillment and logistics 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 infrastructure were rendered incapable of operations, then we may be unable to fulfill any orders. We do not carry business interruption insurance, 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 or labor unrest or shortage. 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 may have less confidence in our services. As a result, we may lose brand partners, and our financial condition and reputation could suffer.

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 Tenpay, 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 customers, 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.

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.

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

- protecting the data in and hosted on our system, including against attacks on our system by outside parties or fraudulent behavior by our employees;

- addressing concerns related to privacy and sharing, safety, security and other factors; 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.

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.

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 customers, our customers 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 customers 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 customers 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, our reputation and the trading price of our ADSs.

If counterfeit products are sold in the stores we operate, including our Maikefeng platform, 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 online stores we operate or our Maikefeng platform, we may be subject to lawsuits, severe administrative penalties and criminal liability. See We may be subject to product liability claims that could be costly and time-consuming. We believe our reputation is extremely important to our success and our competitive position. The discovery of counterfeit products sold through online stores we operate or our

Maikefeng platform may severally 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 Ministry of Commerce, or MOFCOM, the Ministry of Industry and Information Technology, or MIIT, the State Administration for Industry and Commerce and the State Food and Drug Administration. These government authorities promulgate and enforce regulations that cover many aspects of operation of online retailing and distribution of products such as food and medical devices, including entry into these industries, scope of permitted business activities, licenses and permits requisite for business operation, and restriction on foreign investments. We are required to hold a number of licenses and permits in connection with our business operation, including food distribution permits, as well as approvals for the establishment of foreign-invested enterprises engaging in the sale of goods over the internet, and we may be required to hold an ICP license for our Maikefeng business. Meanwhile, the brand partners we partner with are also obliged to hold licenses and meet regulatory requirements in order for them 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 not be required to renew these licenses and permits upon their expiration or to 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 current and future 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 changes in the relevant authorities interpretation of these laws and regulations. For example, the 2013 Classified Catalog of Telecommunications Services (Draft for Comments) specifies that information services provided through mobile networks are recognized as internet information services, and service providers, like operators of mobile application stores, will be required to meet certain qualifications, including obtaining an ICP license covering internet information services rendered through mobile network. With the expansion of our business via mobile channels, our PRC subsidiaries and VIE may therefore be required to obtain such ICP license or expand the current scope of our ICP license held through our VIE to cover internet information services rendered through mobile network.

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 fails to comply with applicable regulatory requirements, we may be subject to administrative actions and penalties against us, 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.

Our leased property interests may be defective and our right to lease the properties affected by such defects may be challenged, which could cause significant disruption to our business.

We leased 25 premises in China for our offices, customer service center and warehouses as of March 31, 2015. 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 on commercially reasonable terms or at all, and may therefore be forced to relocate our affected operations. This 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 desirable sizes. As a result, even though 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 customers of the online stores operated by us or our Maikefeng platform 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. Any product liability claim, regardless of its merit or success, could result in the expenditure of funds and management time and adverse publicity and could have a negative impact on our business.

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.

In addition, we have a number of employees, including many members of management, whose equity ownership in our company could give them a substantial amount of personal wealth following our initial public offering. As a result, it may be difficult for us to continue to retain and motivate these employees, and this wealth could affect their decisions about whether or not they continue to remain with us. If we are unable to motivate or retain these employees, our business may be severely disrupted and our prospects could suffer.

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. As of March 31, 2015, we employed a total of 258 logistics personnel. We may 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. See 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.

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. As of March 31, 2015, approximately 24% of our work force was dispatched by third-party labor service agents. Such labor arrangement does not fully comply with the Interim Provisions on Labor Dispatch issued in January 2014, which became effective on March 1, 2014, that provides the number of dispatched contract workers hired by an employer shall not exceed 10% of the total number of its work force. These Interim Provisions require us to formulate a plan to reduce the number of our dispatched contract workers to comply with such statutory requirement prior to March 1, 2016. Although we are allowed to continue to engage the dispatched workers pursuant to our existing agreements with labor service agents entered into before December 28, 2012, we will need to replace them with full-time employees after the expiration of these contracts. In addition, under the amended 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.

As of the date of this prospectus, 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 new 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$806.6) to RMB10,000 (US$1,613.2) per dispatched worker. See Regulation Regulations Relating to Employment .

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.

We may be accused of infringing intellectual property rights of third parties and 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.

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 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. 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.

We have obtained insurance to cover certain potential risks, such as property damage. 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

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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. 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. Any business disruption, litigation, regulatory action, outbreak of epidemic disease or natural disaster could also expose us to substantial costs and diversion of resources. We cannot assure you that our 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.

A severe or prolonged downturn in the global or Chinese economy could materially and adversely affect our business and our financial condition.

The global financial markets have experienced significant disruptions since 2008 and the United States, Europe and other economies went into a recession. The recovery from the lows of 2008 and 2009 has been uneven and is facing new challenges, including the escalation of the European sovereign debt crisis since 2011 and the slowdown of the Chinese economy in 2012. It is unclear whether the Chinese economy will resume its high growth rate. There is considerable uncertainty over 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. There have also been concerns over unrest in the Middle East and Africa, which have resulted in volatility in oil and other markets. There have also been concerns about the economic effect of the earthquake, tsunami and nuclear crisis in Japan and tensions in the relationship between China and Japan. Economic conditions in China are sensitive to global economic conditions. 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.

Any occurrence of a natural disaster, widespread health epidemic or other outbreaks could have a material adverse effect on our business, financial condition and results of operations.

Our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, the outbreak of a widespread health epidemic, such as swine flu, avian influenza, severe acute respiratory syndrome, or SARS, Ebola or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of such a disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments in China or elsewhere in the world could materially disrupt our business and operations. Such events could also significantly impact our industry and cause a temporary closure of the facilities we use for our operations, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Our operations could be disrupted if any of our employees or employees of our business partners were suspected of having the swine flu, avian influenza, SARS or Ebola, since this could require us or our business partners to quarantine some or all of such employees or disinfect the facilities used for our operations. In addition, our revenues and profitability could be materially reduced to the extent that a natural disaster, health epidemic or other outbreak harms the global or PRC economy in general. Our operations could also be severely disrupted if our buyers, sellers or other participants were affected by such natural disasters, health epidemics or other outbreaks.

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired.

We will be subject to the reporting requirements of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act and the rules and regulations of the NASDAQ Global Select Market after the completion of this offering. The Sarbanes-Oxley Act requires, among other things, that we

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maintain effective disclosure controls and procedures and internal controls over financial reporting. Commencing with our fiscal year ending December 31, 2016, we must perform system and process evaluation and testing of our internal controls over financial reporting to allow management to report on the effectiveness of our internal controls over financial reporting in our Form 20-F filing for that year, as required by Section 404 of the Sarbanes-Oxley Act. In addition, once we cease to be an emerging growth company as the term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. This will require that we incur substantial additional professional fees and internal costs to expand our accounting and finance functions and that we expend significant management efforts. Prior to this offering, we were never required to test our internal controls within a specified period, and, as a result, we may experience difficulty in meeting these reporting requirements in a timely manner.

Prior to this offering, we were a private company with limited accounting personnel and other resources with which to address our internal controls and procedures. Our management has not completed an assessment of the effectiveness of our internal control over financial reporting and our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting. In connection with the audit of our consolidated financial statements for 2012, 2013 and 2014, we and our auditors, an independent registered public accounting firm, identified one material weakness and one significant deficiency in our internal control over financial reporting. As defined in the standards established by the U.S. Public Company Accounting Oversight Board, or PCAOB, a material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting, that is less severe than a material weakness yet important enough to merit attention by those responsible for oversight of the company s financial reporting.

The material weakness identified was we lacked formal process to identify and address risks of material misstatement related to U.S. GAAP reporting. The significant deficiency identified was we lacked audit committee and internal audit function to establish formal risk assessment process and internal control framework. We plan to implement a number of measures to address the material weakness and the significant deficiency that have been identified. See Management s Discussion and Analysis of Financial Condition and Results of Operations Internal Control over Financial Reporting. However, we cannot assure you that these and other remedial measures will remediate the material weakness and the significant deficiency.

Furthermore, it is possible that, had our management prepared a report on the effectiveness of, or our independent registered public accounting firm conducted an audit of, our internal control over financial reporting, additional significant deficiencies or material weaknesses might have been identified.

In addition, our internal control over financial reporting will not prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system s objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

If we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, or if we are unable to maintain proper and effective internal controls, we may not be able to produce timely and accurate financial statements. If that were to happen, the market price of our ADSs could decline and

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we could be subject to sanctions or investigations by the NASDAQ Global Select Market, the Securities and Exchange Commission, or SEC, or other regulatory authorities.

The audit report included in this prospectus is prepared by auditors who are not inspected by the PCAOB and, as such, you are deprived of the benefits of such inspection.

Our independent registered public accounting firm that issues the audit reports included in our prospectus filed with the SEC, as auditors of companies that are traded publicly in the United States and a firm registered with the US Public Company Accounting Oversight Board (United States), or the PCAOB, is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and professional standards. Because our auditors are located in the Peoples Republic of China, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, our auditors are not currently inspected by the PCAOB.

Inspections of other firms that the PCAOB has conducted outside China have identified deficiencies in those firms audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. This lack of PCAOB inspections in China prevents the PCAOB from regularly evaluating our auditor s audits and its quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditor s audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our financial statements.

If additional remedial measures are imposed on the Big Four PRC-based accounting firms, including our independent registered public accounting firm, in administrative proceedings brought by the SEC alleging the firms failure to meet specific criteria set by the SEC, with respect to requests for the production of documents, we could be unable to timely file future financial statements in compliance with the requirements of the Securities Exchange Act of 1934.

Starting in 2011 the Chinese affiliates of the big four accounting firms (including our independent registered public accounting firm) were affected by a conflict between U.S. and Chinese law. Specifically, for certain U.S. listed companies operating and audited in mainland China, the SEC and the PCAOB sought to obtain from the Chinese firms access to their audit work papers and related documents. The firms were, however, advised and directed that under China law they could not respond directly to the US regulators on those requests, and that requests by foreign regulators for access to such papers in China had to be channeled through the China Securities Regulatory Commission, or CSRC.

In late 2012 this impasse led the SEC to commence administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the Chinese accounting firms, (including our independent registered public accounting firm). A first instance trial of the proceedings in July 2013 in the SEC s internal administrative court resulted in an adverse judgment against the firms. The administrative law judge proposed penalties on the firms including a temporary suspension of their right to practice before the SEC, although that proposed penalty did not take effect pending review by the Commissioners of the SEC. On February 6, 2015, before a review by the Commissioner had taken place, the firms reached a settlement with the SEC. Under the settlement, the SEC accepts that future requests by the SEC for the production of documents will normally be made to the CSRC. The firms will receive matching Section 106 requests, and are required to abide by a detailed set of procedures with respect to such requests, which in substance require them to facilitate production via the CSRC. If they fail to meet specified criteria, the SEC retains authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure. Remedies for any future noncompliance could include, as appropriate, an automatic six-month bar on a

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single firm s performance of certain audit work, commencement of a new proceeding against a firm, or in extreme cases the resumption of the current proceeding against all four firms.

In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, listed companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about any such future proceedings against these audit firms may cause investor uncertainty regarding China-based, United States-listed companies and the market price of our ADSs may be adversely affected.

If our independent registered public accounting firm were denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined not to be in compliance with the requirements of the Exchange Act of 1934, as amended. Such a determination could ultimately lead to our delisting from the NASDAQ Global Select Market or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

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.

Under current PRC laws and regulations, foreign investors are generally not allowed to own more than 50% of the equity interests in a value-added telecommunication service provider and any such foreign investor must have experience in providing value-added telecommunications services overseas and maintain a good track record.

We are a Cayman Islands holding company and our PRC subsidiaries are considered foreign-invested enterprises, directly or indirectly. Accordingly, none of these PRC subsidiaries is eligible to provide value-added telecommunication services in China. We do not currently provide value-added telecommunication services because our sales of goods purchased by us does not constitute providing value-added telecommunication services. Our PRC consolidated VIE Shanghai Zunyi, however, holds an ICP license and may develop e-commerce platforms for other trading parties. 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 director. Mr. Qiu and Mr. Zhang are both PRC citizens. We did not record any revenues from Shanghai Zunyi in 2012 and 2013, and revenues from Shanghai Zunyi contributed to 1.3% and 4.2% of our total net revenues in 2014 and the three months ended March 31, 2015, 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. For a detailed discussion of these contractual arrangements, see Corporate History and Structure.

In the opinion of Fangda Partners, our PRC legal counsel, (i) the ownership structures of Shanghai Baozun and our VIE in China, both currently and immediately after giving effect to this offering, do not violate any

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applicable PRC laws and regulations currently in effect; and (ii) the contractual arrangements between Shanghai Baozun, our VIE and its shareholders governed by PRC law are valid, binding and enforceable in accordance with their terms and applicable PRC laws and regulations currently in effect, and do not violate any PRC laws or regulations currently in effect. However, our PRC legal counsel 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 counsel. It is uncertain whether any new PRC laws or regulations relating to VIE structures will be adopted or if adopted, what they would provide. In particular, in January 2015, the Ministry of Commerce, or MOFCOM, published a discussion draft of the proposed Foreign Investment Law for public review and comments. Among other things, the draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of actual control in determining whether a company is considered a foreign-invested enterprise, or an FIE. Under the draft Foreign Investment Law, variable interest entities would also be deemed as FIEs, if they are ultimately controlled by foreign investors, and be subject to restrictions on foreign investments. However, the draft law has not taken a position on what actions will be taken with respect to the existing companies with the variable interest entity structure. It is uncertain when the draft would be signed into law and whether the final version would have any substantial changes from the draft.

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 our VIE;
- 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 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 this offering to finance our business and operations in China.

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 operate our Maikefeng platform and hold our ICP license to enable us to develop online marketplaces. Such contractual arrangements include: (i) an exclusive technology service agreement which has an initial term of

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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 Corporate History and Structure. 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 the best interests of our company 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 PRC legal system. 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. The legal system in the PRC is not as developed as in some other jurisdictions, such as the United States. 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 PRC legal system 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 recognition proceedings, which would require additional expenses and delay.

Our VIE holds the ICP license and operates our Maikefeng platform. 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 Maikefeng 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. Qiu is our co-founder, chairman and chief executive officer, while Mr. Zhang is our co-founder and director. 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 the best interests of our company 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 our company. Mr. Qiu and Mr. Zhang are also directors of our company. We rely on Mr. Qiu and Mr. 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.

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 this offering to make loans or additional capital contributions to our wholly owned subsidiary, Shanghai Baozun.

We may transfer funds to Shanghai Baozun or finance Shanghai Baozun by means of shareholder loans or capital contributions upon completion of this offering. Any such loans to Shanghai Baozun, which is a foreign-invested enterprise, cannot exceed statutory limits, which is the difference between the registered capital and the total investment amount of such subsidiary, and shall be registered with the State Administration of Foreign Exchange, or SAFE, or its local counterparts. Currently such statutory limit on the loans we may make to Shanghai Baozun is RMB120 million (US$19.3 million). Furthermore, any capital contributions we make to Shanghai Baozun shall be approved by the Ministry of Commerce, or MOFCOM, or its local counterparts. We may not be able to obtain these government registrations or approvals on a timely basis, if at all. If we fail to receive such registrations or approvals, our ability to provide loans or capital contributions to Shanghai Baozun 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.

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 16, 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. In addition, foreign-invested companies may not change how they use such capital without SAFE s approval, and may not in any case use such capital to repay RMB loans if proceeds of such loans have not been utilized. Violations of Circular 142 or Circular 45 may result in severe penalties. As a result, Circular 142 and Circular 45 may significantly limit our ability to transfer the net proceeds from our initial public offering and subsequent offerings or financings to Shanghai Baozun, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC.

Contractual arrangements in relation to our VIE may be subject to scrutiny by the PRC tax authorities and they may determine that we or our PRC VIE owes additional taxes, which could negatively affect our financial condition 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 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.

Most of our operations are conducted in the PRC and a substantial majority of our revenue is sourced from 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.

A substantial majority of our operations are 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 nonbinding 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, some of which are not published on a timely basis or at all, and which may have a retroactive effect. 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 more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. 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 and Anti-Unfair Competition Law, and also consumer protection laws that are applicable to retailers. In the past, we have been subject to non-material administrative proceedings due to non-compliance with such laws and may continue to be subject to allegations of non-compliance with such laws. Such allegations, which may or may not have merit, may result in costs to us.

If these regulations were to change or if we were found to be in violation with them, we need to spend additional costs to rectify non-compliance, or we 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 most recently amended Consumer Protection Law, which became effective in March 2014, further strengthens the protection of consumers and imposes more stringent requirements and obligations on both business operators, especially on businesses that operate on the internet. Pursuant to the 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 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 what 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. Operators of online marketplace platforms may take measures and impose stricter requirements on sellers as a react to their obligations under the amended Customer 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.

The approval of the China Securities Regulatory Commission, or the CSRC, may be required in connection with this offering under a PRC regulation. The regulation also establishes more complex procedures for acquisitions conducted by foreign investors that 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, or the SASAC, the State Administration of Taxation, the State Administration for Industry and Commerce, or the SAIC, the CSRC, and the SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which came into effect on September 8, 2006 and were amended on June 22, 2009. The M&A Rules include, among other things, provisions that purport to require that an offshore special purpose vehicle formed for the purpose of an overseas listing of securities in a PRC company obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle s securities on an overseas stock exchange. On September 21, 2006, the CSRC published on its official website procedures regarding its approval of overseas listings by special purpose vehicles. However, substantial uncertainty remains regarding the scope and applicability of the M&A Rules to offshore special purpose vehicles.

While the application of the M&A Rules remains unclear, we believe, based on the advice of our PRC counsel, Fangda Partners, that the CSRC approval is not required in the context of this offering because (i) when we set up our offshore holding structure, Shanghai Baozun, currently our major PRC subsidiary, was a then existing foreign-invested entity and not a PRC domestic company as defined under the M&A rules, and the acquisition by Baozun Hong Kong Holding Limited of all the equity interest in Shanghai Baozun was not subject to the M&A Rules; and (ii) there is no statutory provision that clearly classifies the contractual arrangement among our PRC subsidiary, Shanghai Baozun, and our PRC VIE, Shanghai Zunyi and its shareholders as transactions regulated by the M&A Rules. However, uncertainties still exist as to how the M&A Rules will be interpreted and implemented, and the opinion of our PRC counsel is subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules. We cannot assure you that the relevant PRC government agencies, including the CSRC, would reach the same conclusion as our PRC counsel. If the CSRC or other PRC regulatory body subsequently determines that we need to obtain the CSRC s approval for this offering or if the CSRC or any other PRC government authorities promulgates any interpretation or implements rules before our listing that would require us to obtain CSRC or other governmental approvals for this offering, we may face adverse actions or sanctions by the CSRC or other PRC regulatory agencies. In any such event, these regulatory agencies may impose fines and penalties on our operations in

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China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from this offering into the PRC or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as our ability to complete this offering. The CSRC or other PRC regulatory agencies may also take actions requiring us, or making it advisable for us, to halt this offering before settlement and delivery of the ADSs offered by this prospectus. 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 such settlement and delivery may not occur.

The new regulations also 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, or that the approval from the MOFCOM be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the new regulations to complete such transactions could be time-consuming, and any required approval processes, including approval from the MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share. See Regulation M&A Rules and Overseas Listing.

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 will 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. However, since this notice has not yet come into force, there exist high uncertainties with respect to its interpretation and implementation by governmental authorities and banks.

Mr. Vincent Wenbin Qiu, Mr. Junhua Wu and Mr. Michael Qingyu Zhang 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 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. 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

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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. Furthermore, since SAFE Circular 37 was recently promulgated and it is unclear how this regulation, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant PRC government authorities, we cannot predict how these regulations will affect our business operations or future strategy. 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.

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. After our company becomes an overseas listed company upon completion of this offering, we and our directors, executive officers and other employees who are PRC residents and who have been granted options will be subject to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, 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.

In addition, the State Administration for Taxation 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, or RSUs, 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 RSUs. 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 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 rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries and on remittances from the 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 the 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, 2014, we had restricted assets of RMB3.6 million (US$0.6 million).

Limitations on the ability of the 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 PRC Enterprise Income Tax Law, and we may therefore be subject to PRC income tax on our global income.

Under the PRC Enterprise Income Tax 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 State Administration of Taxation issued the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the de facto management body of a Chinese-controlled offshore-incorporated enterprise is located in China. 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 State Administration of Taxation 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 Enterprise Income Tax 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 Enterprise Income Tax 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 State Administration of Taxation issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises, or Bulletin 7, which replaced or supplemented previous rules under the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or Circular 698, issued by the State Administration of Taxation, on December 10, 2009. Pursuant to this Bulletin, 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, immoveable 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 business model and organizational structure; 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 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. Late payment of applicable tax will subject the transferor to default interest. 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.

There is uncertainty as to the application of Bulletin 7, or previous rules under Circular 698. Especially as Bulletin 7 is lately promulgated, it is not clear how it will be implemented. Bulletin 7 may be determined by the tax authorities to be applicable to our offshore restructuring transactions or sale of the shares of our offshore subsidiaries where non-resident enterprises, being the transferors, were involved. For example, in the past, our CEO Mr. Vincent Wenbin Qiu, Mr. Junhua Wu, Mr. Michael Qingyu Zhang and three other individuals transferred some or all of their equity interest in us through indirect transfers conducted by their respective overseas holding companies which held shares in us. As a result, the transferors and transferees may be subject to the tax filing and withholding or tax payment obligation, while our PRC subsidiaries may be requested to assist in the filing. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with Bulletin 7 or to establish that we and our non-resident enterprises should not be taxed under Bulletin 7, for our previous and future restructuring or disposal of shares of our offshore subsidiaries, which may have a material adverse effect on our financial condition and results of operations.

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. 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 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 the variable interest entity.

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

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Following the removal of the U.S. dollar peg, the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the U.S. dollar remained within a narrow band. Since June 2010, the PRC government has allowed the RMB to appreciate slowly against the U.S. dollar again, and it has appreciated more than 10% since June 2010. In April 2012, the PRC government announced that it would allow more RMB exchange rate fluctuation. However, it remains unclear how this announcement might be implemented. 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. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in greater fluctuation of the Renminbi against the U.S. dollar. Substantially all of our revenues and costs are denominated in Renminbi. We are a holding company and we rely on dividends paid by our operating subsidiaries in China for our cash needs. Any significant revaluation of the Renminbi may materially reduce any dividends payable on, our ADSs in U.S. dollars. To the extent that we need to convert U.S. dollars we receive from this offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive. Conversely, if we decide to convert our 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 amount we would receive.

Risks Related to This Offering

There has been no public market for our shares or ADSs prior to this offering, and you may not be able to resell our ADSs at or above the price you paid, or at all.

Prior to this offering, there has been no public market for our shares or ADSs. We have received approval for listing our ADSs on the NASDAQ Global Select Market. Our shares will not be listed on any exchange or quoted for trading on any over-the-counter trading system. If an active trading market for our ADSs does not develop after this offering, the market price and liquidity of our ADSs will be materially and adversely affected.

Negotiations with the underwriters determined the initial public offering price for our ADSs which may bear no relationship to their market price after the initial public offering. We cannot assure you that an active trading market for our ADSs will develop or that the market price of our ADSs will not decline below the initial public offering price.

The trading price of our ADSs may be volatile, which could result in substantial losses to you.

The trading prices of our ADSs are likely 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 listed companies based in China. 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 Chinese companies listed in the United States, which consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or 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, such as the large decline in share prices in the United States, China and other jurisdictions in late 2008, early 2009 and the second half of 2011, which may have a material and adverse effect on the trading price of our ADSs.

In addition to the above factors, the price and trading volume of our ADSs 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 between the RMB and the U.S. dollar;

release or expiry of lock-up or other transfer restrictions on our outstanding shares or ADSs;

- sales or perceived potential sales of additional ordinary shares or ADSs; and

- proceedings instituted recently by the SEC against five PRC-based accounting firms, including our independent registered public accounting firm.

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 trading volume could decline.

The trading market for our ADSs 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 or publishes inaccurate or unfavorable research about our business, the market price for our ADSs 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 to decline.

As our initial public offering price is substantially higher than our net tangible book value per share, you will experience immediate and substantial dilution.

If you purchase ADSs in this offering, you will pay more for your ADSs than the amount paid by existing shareholders for their ordinary shares on a per ADS basis. As a result, you will experience immediate and substantial dilution of approximately US$6.43 per ADS (assuming no exercise of outstanding options to acquire ordinary shares and no exercise of the underwriters option to purchase additional ADSs), representing the difference between our pro forma as adjusted net tangible book value per ADS as of March 31, 2015, after giving effect to this offering, and the public offering price of US$10.00 per ADS. In addition, you will experience further dilution to the extent that our ordinary shares are issued upon the exercise of share options. All of the ordinary shares issuable upon the exercise of currently outstanding share options will be issued at a purchase price on a per ADS basis that is less than the public offering price per ADS in this offering. See Dilution for a more complete description of how the value of your investment in our ADSs will be diluted upon completion of this offering.

Because we do not expect to pay dividends in the foreseeable future after this offering, you must rely on price appreciation of our ADSs for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings after this offering 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, you should not rely on an investment in our ADSs as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends. 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 your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value after this offering or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

Substantial future sales or perceived potential sales of our ADSs in the public market could cause the price of our ADSs to decline.

Sales of our ADSs in the public market after this offering, or the perception that these sales could occur, could cause the market price of our ADSs to decline significantly. Upon completion of this offering, we will have

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145,825,312 ordinary shares outstanding, including 132,524,574 Class A ordinary shares represented by ADSs, assuming the underwriters do not exercise their option to purchase additional shares. All ADSs representing our Class A ordinary shares sold in this offering will be freely transferable by persons other than our affiliates without restriction or additional registration under the U.S. Securities Act of 1933, as amended, or the Securities Act. All of the other ordinary shares outstanding after this offering will be available for sale, upon the expiration of the lock-up periods described elsewhere in this prospectus beginning from the date of this prospectus (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 shares are released before the expiration of the applicable lock-up period and sold into the market, the market price of our ADSs could decline significantly. See Shares Eligible for Future Sale Lock-Up Agreements.

Certain major holders of our ordinary shares after completion of this offering will have the right to cause us to register under the Securities Act the sale of their shares, subject to the applicable lock-up periods in connection with this offering. Registration of these shares under the Securities Act would result in ADSs representing these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of these registered shares in the form of ADSs in the public market could cause the price of our ADSs to decline significantly.

Our dual-class voting structure will limit your ability 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.

After this offering, Mr. Vincent Wenbin Qiu, our co-founder, chairman and chief executive officer, and Mr. Junhua Wu, our co-founder, director and chief operating officer, will have considerable influence over matters requiring shareholder approval. Immediately prior to the completion of this offering, we expect to create a dual-class voting structure such that our ordinary shares will consist of Class A ordinary shares and Class B ordinary shares. Based on our proposed dual-class voting structure, on a poll, holders of Class A ordinary shares will be entitled to one vote per share in respect of matters requiring the votes of shareholders, while holders of Class B ordinary shares will be entitled to ten votes per share. We will issue Class A ordinary shares represented by our ADSs in this offering. Immediately prior to the completion of this offering, we expect that 9,410,369 ordinary shares held by Jesvinco Holdings Limited, which is wholly owned by Mr. Qiu, and 3,890,369 ordinary shares held by Casvendino Holdings Limited, which is wholly owned by Mr. Wu, will be designated as Class B ordinary shares on a one-for-one basis, and all convertible redeemable preferred shares and all other outstanding ordinary shares will be re-designated as Class A ordinary shares on a one-for-one basis. 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 transfer of Class B ordinary shares by a holder thereof to any person or entity which is not an affiliate of such holder, such Class B ordinary shares shall be automatically and immediately converted into the equal number of Class A ordinary shares. The Class B ordinary shares beneficially owned by Mr. Qiu and Mr. Wu will represent 35.4% and 14.7% of the aggregate voting power of our company, respectively, immediately following the completion of this offering, assuming the underwriters do not exercise their over-allotment option to purchase additional ADSs. The interests of Mr. Qiu and Mr. Wu may not coincide with your interests, and they may make decisions with which you 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. Qiu or Mr. Wu differ from your interests, you 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.

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

Holders of ADSs do not have the same rights of our shareholders and may only exercise the voting rights with respect to the underlying Class A ordinary shares in accordance with the provisions of the deposit agreement. Under the post-offering memorandum and articles of association that will become effective upon the completion of this offering, the minimum notice period required to convene a general meeting is 10 days. When a general meeting is convened, you may not receive sufficient notice of a shareholders meeting to permit you to withdraw your Class A ordinary shares to allow you to cast your vote with respect to any specific matter. In addition, the depositary and its agents may not be able to send voting instructions to you or carry out your voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to you in a timely manner, but we cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your ADSs. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if your ADSs are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to call a shareholders meeting.

Your right 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 you 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 depositary will not make rights available to you 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, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

You may not receive cash dividends if the depositary decides it is impractical to make them available to you.

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 you 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. You will receive these distributions in proportion to the number of Class A ordinary shares your 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 you.

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

Your ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary 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.

Certain judgments obtained against us by our shareholders may not be enforceable.

We are a company incorporated under the laws of the Cayman Islands. We conduct our operations outside the United States and substantially all of our assets are located outside the United States. In addition, all of our directors and executive officers and the experts named in this prospectus reside outside the United States, and most of their assets are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against them in the United States in the event that you believe that your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands, the PRC or other relevant jurisdiction may render you unable to enforce a judgment against our assets or the assets of our directors and officers. For more information regarding the relevant laws of the Cayman Islands and China, see Enforceability of Civil Liabilities.

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

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 Island 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.

Furthermore, 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. 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. 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 without any further action by our shareholders, including a tender offer to purchase our ordinary shares at a premium over then current market prices.

You must rely on the judgment of our management as to the use of the net proceeds from this offering, and such use may not produce income or increase our ADS price.

A significant portion of the net proceeds of this offering is allocated for general corporate purposes, including funding potential investments in and acquisitions of complementary businesses, assets and technologies. Our management will have considerable discretion in the application of the net proceeds received by us. You will not have the opportunity, as part of your investment decision, to assess whether proceeds are being used appropriately. The net proceeds may be used for corporate purposes that do not improve our efforts to achieve or maintain profitability or increase our ADS price. The net proceeds from this offering may be placed in investments that do not produce income or that lose value.

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 shares, including Class A ordinary shares represented by our ADSs, at a premium.

We have adopted amended and restated articles of association to be effective upon the completion of this offering that contain provisions 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 relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our Class A ordinary shares, in the form of ADS or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may fall and the voting and other rights of the holders of our Class A ordinary shares and ADSs may be materially and adversely affected.

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

We are exempted from certain corporate governance requirements of the NASDAQ Marketplace Rules by virtue of being a foreign private issuer. We are required to provide a brief description of the significant differences between our corporate governance practices and the corporate governance practices required to be followed by domestic U.S. companies listed on the NASDAQ Global Select 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 an audit committee, a compensation committee or a nominating and corporate governance committee consisting entirely of independent directors;
- have regularly scheduled executive sessions with only independent directors; or
- have executive sessions of solely independent directors each year.

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

As a foreign private issuer, we are exempt from certain disclosure requirements under the Exchange Act, which may afford less protection to our shareholders than they would enjoy if we were a domestic U.S. company.

As a foreign private issuer, 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, our shareholders may be afforded less protection than they would under the Exchange Act rules applicable to domestic U.S. companies.

We are an emerging growth company within the meaning of the Securities Act and may take advantage of certain reduced reporting requirements.

We are an emerging growth company, as defined in the JOBS Act, and we may take advantage of certain exemptions from various requirements applicable to other public companies that are not emerging growth companies including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 for so long as we are an emerging growth company. As a result, if we elect not to comply with

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such auditor attestation requirements, our investors may not have access to certain information they may deem important.

The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected to opt out of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

We will incur increased costs as a result of being a public company, particularly after we cease to qualify as an emerging growth company.

Upon completion of this offering, we will become a public company and expect to incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and the NASDAQ Global Select Market, impose various requirements on the corporate governance practices of public companies. We qualify as an emerging growth company pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002 in the assessment of the emerging growth company s internal control over financial reporting and permission to delay adopting new or revised accounting standards until such time as those standards apply to private companies. However, we have elected to opt out of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly. After we are no longer an emerging growth company, we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC. For example, as a result of becoming a public company, we will need to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. We also expect that operating as a public company will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we will incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

In the past, shareholders of a public company often brought securities class action suits against the company following periods of instability in the market price of that company s securities. If we were involved in a class action suit, it could divert a significant amount of our management s attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the suit. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

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

Based on the projected composition of our income and valuation of our assets, we do not expect to be a passive foreign investment company, or PFIC, for our current taxable year, and we do not expect to become one in the future, although there can be no assurance in this regard. The determination of whether or not we are a PFIC is made on an annual basis and will depend on the composition of our income and assets from time to time. Specifically, we will be classified as a PFIC for United States federal income tax purposes if either: (1) 75% or more of our gross income in a taxable year is passive income, or (2) the average percentage of our assets by value in a taxable year which produce or are held for the production of passive income (which includes cash) is at least 50%. The calculation of the value of our assets will be based, in part, on the quarterly market value of our ADSs, which is subject to change. See Taxation Material U.S. Federal Income Tax Consequences Passive Foreign Investment Company.

If we were or were to become a PFIC, such characterization could result in adverse United States federal income tax consequences to you if you are a United States investor. For example, if we are a PFIC, our United States investors will become subject to increased tax liabilities under United States federal income tax laws and regulations and will become subject to burdensome reporting requirements. We cannot assure you that we will not be a PFIC for our current taxable year or any future taxable year. See Taxation Material U.S. Federal Income Tax Consequences Passive Foreign Investment Company.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that reflect our current expectations and views of future events. The forward looking statements are contained principally in the sections entitled Prospectus Summary, Risk Factors, Use of Proceeds , Management s Discussion and Analysis of Financial Condition and Results of Operations and Business. Known and unknown risks, uncertainties and other factors, including those listed under Risk Factors, may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify some of these forward-looking statements by words or phrases such as may, will, expect, anticipate, aim, estimate, inte believe, is/are likely to, potential, continue or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include statements relating to:

- our future business development, financial condition and results of operations;
- our goals and strategies;
- the expected growth of the retail and online retail markets in China;
- our expectations regarding demand for and market acceptance of our products and services;
- our expectations regarding our relationships with our brand partners and e-commerce channels;
- our plans to invest in our technology platform;
- competition in our industry;
- relevant government policies and regulations relating to our industry;
- our ability to attract, train and retain executives and other qualified employees; and
- fluctuations in general economic and business conditions.

These forward-looking statements involve various risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results could be materially different from our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in Prospectus Summary Our Challenges, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations, Business, Regulation and other sections in this prospectus. You should thoroughly read this prospectus and the documents that we refer to with the understanding that our actual future results may be materially different from and worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements.

This prospectus contains certain data and information that we obtained from various government and private publications. Statistical data in these publications also include projections based on a number of assumptions. 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. 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. You should not place undue reliance on these forward-looking statements.

The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. Except as required by law, we undertake no obligation to

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update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this prospectus and the documents that we refer to in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect.

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USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately US$98.3 million, or approximately US$113.7 million if the underwriters exercise their over-allotment option in full, after deducting underwriting discounts and the estimated offering expenses payable by us.

The primary purposes of this offering are to create a public market for our shares for the benefit of all shareholders, retain talented employees by providing them with equity incentives, and obtain additional capital. We plan to use the net proceeds of this offering as follows:

- approximately US$32.3 million for investment in sales and marketing activities;
- approximately US$25.8 million for investment in our research and development and technology infrastructure;
- approximately US$12.9 million for expansion of our warehousing and fulfillment infrastructure; and
- the balance for general corporate purposes, working capital and potential acquisitions, investments and alliances (although we have no present commitments or agreements to enter into any acquisitions, investments or alliances).

The foregoing represents our current intentions with respect of the use and allocation of the net proceeds of this offering based upon our present plans and business conditions, but our management will have significant flexibility and discretion in applying the net proceeds of this offering. The occurrence of unforeseen events or changed business conditions may result in application of the proceeds of this offering in a manner other than as described in this prospectus.

In utilizing the net proceeds of this offering, as an offshore holding company, we are permitted, under PRC laws and regulations, to provide funding to our subsidiaries only through loans or capital contributions and to our VIE only through loans. Subject to satisfaction of applicable government registration and approval requirements, we may extend inter-company loans to our subsidiaries in China or make additional capital contributions to our subsidiaries in China to fund their capital expenditures or working capital. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all. See Risk Factors Risks Related to Our Corporate Structure 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 this offering to make loans or additional capital contributions to our wholly owned subsidiary, Shanghai Baozun.

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DIVIDEND POLICY

Our board of directors has complete discretion on whether to distribute dividends. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon 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 after this offering. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

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 is 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. See Risk Factors Risks Related to Doing Business in the People s Republic of China We 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. See Description of American Depositary Shares. Cash dividends on our Class A ordinary shares, if any, will be paid in U.S. dollars.

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CAPITALIZATION

The following table sets forth our indebtedness and total capitalization as of March 31, 2015:

on an actual basis;

on a pro forma basis to reflect (i) the redesignation of 9,410,369 ordinary shares held by Jesvinco Holdings Limited, which is wholly owned by Mr. Vincent Wenbin Qiu, and 3,890,369 ordinary shares held by Casvendino Holdings Limited, which is wholly owned by Mr. Junhua Wu, into 13,300,738 Class B ordinary shares on a one-for-one-basis upon the completion of this offering; and (ii) the redesignation of all of the remaining ordinary shares and the automatic conversion and redesignation of all of our issued and outstanding Series A, B, C1, C2 and D convertible redeemable preferred shares as of March 31, 2015 into 84,640,163 Class A ordinary shares upon the completion of this offering; and

on a pro forma as adjusted basis to reflect (i) the redesignation of 9,410,369 ordinary shares held by Jesvinco Holdings Limited, which is wholly owned by Mr. Vincent Wenbin Qiu, and 3,890,369 ordinary shares held by Casvendino Holdings Limited, which is wholly owned by Mr. Junhua Wu, into 13,300,738 Class B ordinary shares on a one-for one-basis upon the completion of this offering; (ii) the redesignation of all of the remaining ordinary shares and the automatic conversion and redesignation of all of our issued and outstanding Series A, B, C1, C2 and D convertible redeemable preferred shares as of March 31, 2015 into 84,640,163 Class A ordinary shares upon the completion of this offering; and (iii) the issuance and sale by us of 33,000,000 Class A ordinary shares represented by 11,000,000 ADSs offered in this offering at the public offering price of US$10.00 per ADS, and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, and further assuming no exercise by the underwriters of the over-allotment option.

You should read this table together with the information under Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the notes thereto included elsewhere in this prospectus.

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	As of March 31, 2015					
	Actual		Pro forma		Pro forma As Adjusted(1)	
	RMB	US$	RMB	US$	RMB	US$
			(in thousands)			
Series A convertible redeemable preferred shares (US$0.0001 par value, 19,622,241 shares authorized, issued and outstanding on an actual basis, and none outstanding on a pro forma basis)	57,572	9,287				
Series B convertible redeemable preferred shares (US$0.0001 par value, 26,532,203 shares authorized, issued and outstanding on an actual basis, and none outstanding on a pro forma basis)	208,082	33,567				
Series C1 convertible redeemable preferred shares (US$0.0001 par value, 29,056,332 shares authorized, issued and outstanding on an actual basis, and none outstanding on a pro forma basis)	367,629	59,305				
Series C2 convertible redeemable preferred shares (US$0.0001 par value, 1,925,063 shares authorized, issued and outstanding on an actual basis, and none outstanding on a pro forma basis)	37,630	6,070				
Series D convertible redeemable preferred shares (US$0.0001 par value, 7,504,324 shares authorized, issued and outstanding on an actual basis, and none outstanding on a pro forma basis)	155,704	25,118				
Ordinary shares, US$0.0001 par value, 500,000,000 shares authorized						
Ordinary shares 28,058,820 issued and outstanding on an actual basis	17	3				
Class A ordinary shares 99,398,245 shares issued and outstanding on a pro forma basis, and 132,398,245 shares issued and outstanding on a pro forma as adjusted basis			62	10	82	13
Class B ordinary shares(2) 13,300,738 shares issued and outstanding on a pro forma basis and pro forma as adjusted basis			8	1	8	1
Equity/(deficit):						
Additional paid in capital			826,564	133,339	1,436,072	231,663
Accumulated deficit	(341,138)	(55,031)	(341,138)	(55,031)	(341,138)	(55,031)
Accumulated other comprehensive income	1,154	185	1,154	185	1,154	185
Total equity/(deficit)	(339,967)	(54,843)	486,650	78,504	1,096,178	176,831
Total capitalization	486,650	78,504	486,650	78,504	1,096,178	176,831

(1) Pro forma as adjusted numbers assumes that the underwriters will not exercise their option to purchase additional ADSs.

(2) Upon any transfer of a Class B ordinary share by its holder to any person who is not an Affiliate (as defined in our fourth amended and restated memorandum and articles of association) of such holder, such Class B ordinary share shall automatically and immediately convert into one Class A ordinary share. Class B ordinary shares may be converted into an equal number of Class A ordinary shares at any time at the election of the holder of the Class B ordinary shares. In no event shall Class A ordinary shares be convertible into Class B ordinary shares.

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DILUTION

If you invest in our ADSs, your interest will be diluted to the extent of the difference between the initial public offering price per ADS and our net tangible book value per ADS after this offering. Dilution results from the fact that the initial public offering price per ordinary share is substantially in excess of the book value per ordinary share attributable to the existing shareholders. Our net tangible book value is determined by subtracting the value of our intangible assets, total liabilities and convertible redeemable preferred shares from our total assets.

Our net tangible book value as of March 31, 2015 was approximately negative US$58.7 million or negative US$2.09 per ordinary share as of that date and negative US$6.27 per ADS. Net tangible book value represents the amount of our total consolidated tangible assets, less the amount of our total consolidated liabilities and convertible redeemable preferred shares. Pro forma net tangible book value per ordinary share is calculated after giving effect to the automatic conversion of all of our issued and outstanding convertible redeemable preferred shares. Pro forma as adjusted net tangible book value per ordinary share is calculated after giving effect to the automatic conversion of all our issued and outstanding convertible redeemable preferred shares and the issuance of ordinary shares in the form of ADS by us in this offering. Dilution is determined by subtracting pro forma as adjusted net tangible book value per ordinary share from the public offering price per ordinary share.

Without taking into account any other changes in net tangible book value after March 31, 2015, other than to give effect to (1) the conversion of all our convertible redeemable preferred shares into 84,640,163 Class A ordinary shares, which will occur automatically upon completion of this offering and (2) our sale of 11,000,000 ADSs offered in this offering at the initial public offering price of US$10.00 per ADS, after deduction of the underwriting discounts and commissions and estimated offering expenses payable by us (assuming the over-allotment option is not exercised), our pro forma as adjusted net tangible book value as of March 31, 2015 would have been US$173.0 million, or US$1.19 per ordinary share and US$3.57 per ADS. This represents an immediate increase in net tangible book value of US$0.53 per ordinary share and US$1.59 per ADS to the existing shareholders and an immediate dilution in net tangible book value of US$2.14 per ordinary share and US$6.43 per ADS to investors purchasing ADSs in this offering. The following table illustrates such dilution:

	Per Ordinary Share	Per ADS
Initial public offering price	US$ 3.33	US$ 10.00
Net tangible book value as of March 31, 2015	US$ (2.09)	US$ (6.27)
Pro forma net tangible book value as of March 31, 2015 after giving effect to the automatic conversion of all of our outstanding convertible redeemable preferred shares	US$ 0.66	US$ 1.98
Increase in pro forma as adjusted net tangible book value attributable to this offering	US$ 0.53	US$ 1.59
Pro forma as adjusted net tangible book value after giving effect to the automatic conversion of all of our outstanding convertible redeemable preferred shares and this offering	US$ 1.19	US$ 3.57
Amount of dilution in pro forma as adjusted net tangible book value to new investors in the offering	US$ 2.14	US$ 6.43

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The following table summarizes, on a pro forma as adjusted basis as of March 31, 2015, the differences between existing shareholders and new investors with respect to the number of ordinary shares (in the form of ADSs or shares) purchased from us, the total consideration paid and the average price per ordinary share and per ADS paid before deducting the underwriting discounts and commissions and estimated offering expenses. The total number of ordinary shares does not include ordinary shares underlying the ADSs issuable upon the exercise of the over-allotment option granted to the underwriters.

	Ordinary Shares Purchased		Total Consideration		Average Price Per Ordinary Share	Average Price Per ADS
	Number	Percent	Amount	Percent		
Existing shareholders	112,698,983	77.4%	US$ 133,349,806	54.8%	US$ 1.18	US$ 3.54
New investors	33,000,000	22.6%	US$ 110,000,000	45.2%	US$ 3.33	US$ 10.00
Total	145,698,983	100.0%	US$ 243,349,806	100.0%		

The discussion and tables above assume no exercise of any outstanding share options outstanding as of the date of this prospectus. As of the date of this prospectus, there are 18,817,423 ordinary shares issuable upon exercise of outstanding share options at a weighted average exercise price of US$0.4771 per share. To the extent that any of these options are exercised, there will be further dilution to new investors.

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EXCHANGE RATE INFORMATION

Substantially all of our operations are conducted in China and substantially all of our revenues are denominated in RMB. This prospectus contains translations of RMB amounts into U.S. dollars at specific rates solely for the convenience of the reader. Unless otherwise noted, all translations from RMB to U.S. dollars and from U.S. dollars to RMB in this prospectus were made at a rate of RMB6.1990 to US$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on March 31, 2015. We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate, at the rates stated below, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange and through restrictions on foreign trade. On May 15, 2015, the noon buying rate was RMB6.2051 to US$1.00.

The following table sets forth, for the periods indicated, information concerning exchange rates between the Renminbi and the U.S. dollar based on the exchange rates set forth in the H.10 statistical release of the Federal Reserve Board. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this prospectus or will use in the preparation of our periodic reports or any other information to be provided to you.

Period	Exchange Rate			
	Period End	Average(1)	Low	High
	(RMB per US$1.00)			
2010	6.6000	6.7606	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.2990	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
November	6.1429	6.1249	6.1429	6.1117
December	6.2046	6.1886	6.2256	6.1490
2015				
January	6.2495	6.2181	6.2535	6.1870
February	6.2695	6.2518	6.2695	6.2399
March	6.1990	6.2386	6.2741	6.1955
April	6.2018	6.2010	6.2185	6.1927
May (through May 15, 2015)	6.2051	6.2053	6.2086	6.2001

Source: Federal Reserve Statistical Release

(1) Annual averages are calculated using the average of the rates on the last business day of each month during the relevant year. Monthly averages are calculated using the average of the daily rates during the relevant month.

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ENFORCEABILITY OF CIVIL LIABILITIES

We were incorporated in the Cayman Islands in order to enjoy the following benefits:

- political and economic stability;
- an effective judicial system;
- a favorable tax system;
- the absence of exchange control or currency restrictions; and
- the availability of professional and support services.

However, certain disadvantages accompany incorporation in the Cayman Islands. These disadvantages include:

- the Cayman Islands has a less developed body of securities laws as compared to the United States and these securities laws provide significantly less protection to investors; and
- Cayman Islands companies may not have standing to sue before the federal courts of the United States.

Our amended and restated memorandum and articles do not contain provisions requiring that disputes, including those arising under the securities laws of the United States, among us, our officers, directors and shareholders, be arbitrated.

Substantially all of our operations are conducted in China, and substantially all of our assets are located in China. Substantially all of our officers are nationals or residents of jurisdictions other than the United States and a substantial portion of their assets are located outside the United States. As a result, it may be difficult for a shareholder to effect service of process within the United States upon us or these persons, or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States.

We have appointed Law Debenture Corporate Services Inc., located at 400 Madison Avenue, 4^{th} Floor, New York, NY 10017, as our agent upon whom process may be served in any action brought against us under the securities laws of the United States.

Maples and Calder, our counsel as to Cayman Islands law, and Fangda Partners, our counsel as to PRC law, have advised us, respectively, that there is uncertainty as to whether the courts of the Cayman Islands and China, respectively, would:

- 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

- 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.

Maples and Calder has further advised 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), a judgment obtained in such jurisdiction will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided that such judgment: (a) is given by a foreign court of competent jurisdiction; (b) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given; (c) is final; (d) is not in respect of taxes, a fine or a penalty; and (e) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the

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Cayman Islands. However, the Cayman Islands courts are unlikely to enforce a punitive judgment of a United States court predicated upon the liabilities provision of the federal securities laws in the United States without retrial on the merits if such judgment gives rise to obligations to make payments that may be regarded as fines, penalties or similar charges.

Fangda Partners has further advised us that the recognition and enforcement of foreign judgments are provided for under PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of 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. China does not have any treaties or other agreements with the United States or the Cayman Islands that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, courts in the PRC 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 a PRC court would enforce a judgment rendered by a court in the United States or the Cayman Islands.

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CORPORATE HISTORY AND STRUCTURE

Our History

We are a holding company and operate our business through our wholly-owned subsidiaries and a PRC consolidated VIE. 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 COO Mr. Junhua Wu, one of our directors 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. We changed our holding company s name from Baozun Cayman Inc. to Baozun Inc. in March 2015.

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. Although our current business does not require an ICP license, we hold an ICP license through our PRC consolidated VIE, Shanghai Zunyi, which is the operator of our Maikefeng platform, to provide us with the flexibility to develop value-added telecommunications services in the future that would be in compliance with PRC laws, rules, 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. Shanghai Zunyi was a dormant company before July 2014 and began serving consumers through our Maikefeng platform, including our Maikefeng mobile application and mkf.com website, in July 2014.

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.

As a holding company, our ability to pay dividends depends upon dividends and other distributions on equity paid to us by our principal operating subsidiaries. Pursuant to PRC laws and regulations, our wholly owned subsidiaries may pay dividends only out of their retained earnings, and are required to set aside a portion of their net income each year to fund certain statutory reserves. These reserves, together with the registered equity, are not distributable as cash dividends. See Risk Factors Risks Related to Doing Business in the People s Republic of China We 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. and Regulation Regulation of Dividend Distribution.

For our private placement of ordinary shares and convertible redeemable preferred shares, see Description of Share Capital History of Securities Issuances.

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Our Corporate 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 prospectus:

Note: (1) Shanghai Zunyi is our VIE in China and is 80% owned by Mr. Vincent Wenbin Qiu and 20% owned by Mr. Michael Qingyu Zhang. It primarily serves as our platform for developing our Maikefeng business.

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 the VIE as direct ownership of its equity interests. In addition, the 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 PRC legal system. See 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 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 at 95% of the net revenues of Shanghai Zunyi and extra service fee 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.

Exclusive Call Option Agreement. On April 1, 2014, Shanghai Zunyi, each of its shareholder 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 in 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 28, 2014, Shanghai Zunyi, each of its shareholder and Shanghai Baozun entered into a voting right proxy agreement, or the Proxy Agreement. 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 Agreements. On July 28, 2014, Shanghai Zunyi and its shareholders entered into equity interest pledge agreements with Shanghai Baozun. 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 agreements above 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 SAIC or its competent branches for perfection. The equity pledge of Shanghai Zunyi has already been registered with the relevant branch of the SAIC.

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.

In the opinion of Fangda Partners, our PRC legal counsel, (i) the ownership structures of Shanghai Baozun and Shanghai Zunyi do not violate any applicable PRC laws and regulations currently in effect; and (ii) the contractual arrangements between Shanghai Baozun, Shanghai Zunyi and its shareholders governed by PRC law are valid, binding and enforceable in accordance with their terms and applicable PRC laws and regulations currently in effect, and do not violate any PRC laws or regulations currently in effect.

However, our PRC legal counsel 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 counsel. 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.

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following selected consolidated statements of operations data for the years ended December 31, 2012, 2013 and 2014 and selected consolidated balance sheet data as of December 31, 2012, 2013 and 2014 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP, and have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, an independent registered public accounting firm. The following selected consolidated statements of operations data for the three months ended March 31, 2014 and 2015 and selected consolidated balance sheet data as of March 31, 2015 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. The unaudited condensed consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and include all adjustments, consisting only of normal and recurring adjustments, that we consider necessary for a fair presentation of our financial position and operating results for the periods presented.

You should read this Selected Consolidated Financial and Other Data section together with our consolidated financial statements and the related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus. Our historical results are not necessarily indicative of results expected for future periods.

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Consolidated Statement of Operations Information

	For the Year Ended December 31,				For the Three Months Ended March 31,		
	2012	2013	2014		2014	2015	
	RMB	RMB	RMB	US$	RMB	RMB	US$
	(in thousands, except for per share and per ADS data and number of shares)						
Consolidated Statement of Operations							
Net revenues							
Product sales	819,422	1,274,746	1,187,162	191,509	197,747	353,653	57,050
Services	135,042	247,090	397,258	64,084	70,731	123,546	19,930
Total net revenues	954,464	1,521,836	1,584,420	255,593	268,478	477,199	76,980
Operating expenses(1)							
Cost of products	(808,063)	(1,245,832)	(1,086,133)	(175,211)	(182,593)	(322,929)	(52,094)
Fulfillment	(72,026)	(116,432)	(168,130)	(27,122)	(29,295)	(52,149)	(8,412)
Sales and marketing	(78,633)	(146,202)	(226,952)	(36,610)	(35,167)	(73,888)	(11,919)
Technology and content	(6,554)	(16,120)	(63,607)	(10,261)	(8,073)	(12,607)	(2,034)
General and administrative	(33,461)	(38,160)	(96,911)	(15,633)	(12,141)	(12,402)	(2,001)
Other operating expenses, net	(122)	(75)	457	74	(190)	(474)	(76)
Total operating expenses	(998,859)	(1,562,821)	(1,641,276)	(264,763)	(267,459)	(474,449)	(76,536)
Income (loss) from operations	(44,395)	(40,985)	(56,856)	(9,170)	1,019	2,750	444
Other income (expenses)							
Interest income	122	4,574	3,156	509	1,053	575	93
Interest expenses	(3,275)	(677)	(1,552)	(250)			
Exchange gain (loss)	314	(376)	(2,650)	(427)	(1)	(505)	(81)
Income (loss) before income tax and share of loss in equity method investment	(47,234)	(37,464)	(57,902)	(9,338)	2,071	2,820	456
Income tax benefit (expenses)		(307)	(1,912)	(308)	(308)	986	159
Income (loss) before share of loss in equity method investment	(47,234)	(37,771)	(59,814)	(9,646)	1,763	3,806	615
Share of loss in equity method investment						(1,824)	(294)
Net income (loss)	(47,234)	(37,771)	(59,814)	(9,646)	1,763	1,982	321
Deemed dividend from issuance of preferred shares	(4,683)		(16,666)	(2,688)			
Change in redemption value of convertible redeemable preferred shares	(16,231)	(61,435)	(79,169)	(12,771)	(17,074)	(25,332)	(4,086)
Net loss attributable to ordinary shareholders	(68,148)	(99,206)	(155,649)	(25,105)	(15,311)	(23,350)	(3,765)
Net loss per share attributable to ordinary shareholders							
Basic	(2.27)	(3.31)	(5.31)	(0.86)	(0.51)	(0.83)	(0.13)
Diluted	(2.27)	(3.31)	(5.31)	(0.86)	(0.51)	(0.83)	(0.13)
Net loss per ADS(2)							
Basic	(6.81)	(9.93)	(15.93)	(2.58)	(1.53)	(2.49)	(0.39)
Diluted	(6.81)	(9.93)	(15.93)	(2.58)	(1.53)	(2.49)	(0.39)
Weighted average shares used in calculating net loss per ordinary share							
Basic	29,983,883	29,983,883	29,314,067	29,314,067	29,983,883	28,058,820	28,058,820
Diluted	29,983,883	29,983,883	29,314,067	29,314,067	29,983,883	28,058,820	28,058,820
Non-GAAP Financial Measure:(3)							
Non-GAAP net income/(loss)	(42,708)	(26,265)	25,149	4,060	3,350	7,644	1,235

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

	For the Year Ended December 31,				For the Three Months Ended March 31,		
	2012	2013	2014		2014	2015	
	RMB	RMB	RMB	US$	RMB	RMB	US$
	(in thousands)						
Fulfillment	(73)	(584)	(460)	(74)	(69)	(345)	(56)
Sales and marketing	(685)	(5,822)	(5,469)	(882)	(950)	(2,808)	(453)
Technology and content	(159)	(1,608)	(26,311)	(4,244)	(207)	(968)	(156)
General and administrative	(3,609)	(3,492)	(52,723)	(8,506)	(361)	(1,541)	(249)
	4,526	11,506	84,963	13,706	1,587	5,662	914

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

(3) See Summary Consolidated Financial and Operating Data Non-GAAP Financial Measure.

Consolidated Balance Sheet Information

	As of December 31,				As of March 31,					
	2012	2013	2014		2015					
	RMB	RMB	RMB	US$	RMB	US$	RMB	US$	RMB	US$
							Pro forma(1)		Pro forma as adjusted(2)	
	(in thousands, except per share and per ADS data and number of shares)									
Cash and cash equivalents	270,077	154,156	206,391	33,294	175,808	28,361	175,808	28,361	785,336	126,688
Restricted cash		36,000	37,900	6,114	30,990	4,999	30,990	4,999	30,990	4,999
Accounts receivable, net	57,448	106,468	229,502	37,022	271,298	43,767	271,298	43,767	271,298	43,767
Inventories	72,412	133,347	242,978	39,196	197,601	31,876	197,601	31,876	197,601	31,876
Total assets	465,179	531,447	872,514	140,749	852,755	137,565	852,755	137,565	1,462,283	235,892
Accounts payable	56,978	173,810	300,007	48,395	294,935	47,579	294,935	47,579	294,935	47,579
Short-term borrowings	48,774									
Total liabilities	144,504	225,082	393,458	63,470	366,105	59,061	366,105	59,061	366,105	59,061
Series A convertible redeemable preferred shares	44,187	49,170	55,924	9,021	57,572	9,287				
Series B convertible redeemable preferred shares	162,195	180,182	202,125	32,606	208,082	33,567				
Series C-1 convertible redeemable preferred shares	258,923	308,848	355,176	57,296	367,629	59,305				
Series C-2 convertible redeemable preferred shares			37,630	6,070	37,630	6,070				
Series D convertible redeemable preferred shares			150,430	24,267	155,704	25,118				
Shareholder s equity/(deficit)	(144,630)	(232,375)	(322,229)	(51,981)	(339,967)	(54,843)	486,650	78,504	1,096,178	176,831
Total liabilities, convertible redeemable preferred shares and shareholders deficit	465,179	531,447	872,514	140,749	852,755	137,565	852,755	137,565	1,462,283	235,892

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(1) The pro forma balance sheet information as of March 31, 2015 assumes the conversion upon completion of the initial public offering of all convertible redeemable preferred shares outstanding as of March 31, 2015 into ordinary shares.

(2) Reflects (i) the automatic conversion of all of our convertible redeemable preferred shares upon the completion of this offering and (ii) the issuance and sale by us of 33,000,000 Class A ordinary shares represented by 11,000,000 ADSs in this offering at the public offering price of US$10.00 per ADS after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, and further assuming no exercise by the underwriters of over-allotment option.

Selected Operating Data

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2012	2013	2014	2014	2015
Number of brand partners as of the period end[1]	56	71	93	78	94
Number of GMV brand partners as of the period end[2]	53	61	78	66	84
Total GMV[3] (RMB in millions)	1,460[4]	2,621[4]	4,249[4]	574[4]	1,157[4]
Average GMV per GMV brand partner[5]	30	46	61	9.0	14.0

(1) Brand partners are defined as companies for which we operate official brand stores or official marketplace stores under their brand names or have entered into agreements to do so.

(2) GMV brand partners are defined as brand partners that contribute to our total GMV in the respective periods.

(3) Total GMV is defined as (i) the full value of all purchases transacted and settled on stores operated by us (including our Maikefeng platform but excluding stores for the operations of which we only charge fixed fees) and (ii) the full value of purchases for which customers 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.

(4) GMV of our Maikefeng platform was nil, nil, RMB33.9 million (US$5.5 million), RMB0.2 million and RMB22.5 million (US$3.6 million) in 2012, 2013, 2014 and the three months ended March 31, 2014 and 2015, respectively.

(5) Average GMV per GMV brand partner is calculated by dividing GMV (excluding Maikefeng) by the average number of GMV brand partners as of the beginning and end of the respective periods.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our audited consolidated combined financial statements and unaudited consolidated combined financial information included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Risk Factors and elsewhere in this prospectus.

Overview

We are the leading brand e-commerce solutions provider in China, with a market share of approximately 20% as measured by transaction value in 2014, according to the iResearch Report.

The number of our brand partners grew from 56 as of December 31, 2012, to 71 as of December 31, 2013, to 93 as of December 31, 2014 and to 94 as of March 31, 2015. Our brand partners cover diverse categories, including apparel, appliances, electronics, home, food and health, cosmetics and fast moving consumer goods, insurance and automobile, and many of them are market leaders in their respective industries.

Our integrated e-commerce capabilities allow us to leverage our brand partners unique resources and are seamlessly integrated with their back-end systems. This enables data tracking and analytics for the full transaction value chain, making us a valuable part of the brands e-commerce functions. We help our brand partners establish their market presence and launch products quickly through official brand store sites and major online marketplaces in China as well as social media platforms. We also help our brand partners devise and execute O2O strategies combining the strengths of their online stores and offline retail networks. By enabling seamless shopping experience across various channels both online and offline, we deliver omni-channel solutions to achieve optimal branding effect and sales results that are responsive to our brand partners individual e-commerce objectives.

Leveraging our proprietary and scalable technology infrastructure and systems, we provide integrated e-commerce solutions that synchronize marketing campaigns, centralize management of inventory, order fulfillment and customer service, and collect and analyze consumer behavior and transaction data across internet, mobile and offline channels.

We partner with leading nationwide and local logistics services providers to ensure reliable and timely delivery. We are able to achieve next-day delivery in 95 cities across China. We operate five warehouses with an aggregate gross floor area of 72,800 square meters that can handle 300,000 daily orders and 400,000 daily pieces. Our warehouse management system is customized to account for variance in arrangements with brands and differences in specifications for products, ranging from apparel, electronics to beauty and health products.

We generate revenue from two revenue streams: (i) product sales and (ii) services. We generally operate e-commerce businesses for our brand partners based on one of three business models: distribution model, service fee model and consignment model, or in some circumstances, a combination of the business models. We derive product sales revenues when we sell products to customers under the distribution model. We derive services revenues under the service fee model and consignment model. For services provided, we charge our brand partners fees consisting of fixed fees and/or variable fees based on GMV or other variable factors such as number of orders fulfilled. Under the consignment model, we may facilitate brand partners online sales of products as an agent and receive commission fee calculated based on a formula pre-agreed with our brand partners. In 2012, 2013, 2014 and the three months ended March 31, 2014 and 2015, net revenues from product sales accounted for 85.9%, 83.8%, 74.9%, 73.7% and 74.1%, respectively, of our total net revenues.

Our GMV was RMB1,460.4 million, RMB 2,620.8 million, RMB4,248.9 million (US$684.8 million) and RMB1,157.0 million (US$186.6 million) in 2012, 2013, 2014 and the three months ended March 31, 2015, respectively. For the same periods, our total net revenues were RMB954.5 million, RMB1,521.8 million, RMB1,584.4 million (US$255.6 million) and RMB477.2 million (US$76.9 million), respectively. We incurred net loss of RMB47.2 million, RMB37.8 million and RMB59.8 million (US$9.6 million) in 2012, 2013 and 2014, respectively, and recorded net income of RMB1.8 million and RMB2.0 million (US$0.3 million) in the three months ended March 31, 2014 and 2015, respectively. We incurred non-GAAP net loss of RMB42.7 million and RMB26.3 million in 2012 and 2013, respectively, and had non-GAAP net income of RMB25.1 million (US$4.1 million) RMB3.4 million and RMB7.6 million (US$1.2 million) in 2014 and the three months ended March 31, 2014 and 2015, respectively. See Summary Consolidated Financial and Operating Data Non-GAAP Financial Measure.

We currently operate our Maikefeng platform through our PRC consolidated VIE, Shanghai Zunyi. We did not generate any revenues from Shanghai Zunyi in 2012 and 2013, and revenues from Shanghai Zunyi contributed 1.3% and 4.2% of our total net revenues in 2014 and the three months ended March 31, 2015, respectively. As we grow our Maikefeng platform, we expect that revenues from Shanghai Zunyi will continue to increase.

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, Taiwan and Indonesia. The growth of the e-commerce market in these markets depend 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 in China 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 have made online marketplaces and other e-commerce channels into 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 brands expansion strategies.

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 affect 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 GMV*. We generate the majority of our revenues primarily through product sales. Increases in GMV and 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 customers and expand product offerings.

- *Our ability to enhance cooperation with marketplaces*. We generate the majority of our revenues primarily 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.

Our ability to successfully extend and operate our business in Asia. Almost all of our revenues are generated in China. Our success in extending our geographical reach will affect the increase in our revenues.

Our ability to innovate. Our ability to innovate and continue to introduce new value-added brand e-commerce solutions through improved technologies and marketing know-how is key to better serve our brand partners and help our brand partners enhance their e-commerce success, which will contribute to our ability to maintain and attract brand partners, sell more solutions and generate more revenues. Our ability to innovate is also crucial to our ability to improve our Maikefeng platform to increase our product sales.

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Our ability to manage our revenues and product mix. We generate revenues from product sales and service fees. Our net revenues as a percentage of our GMV and profitability could vary depending on the mix of our revenues from these sources. In general, our net revenues as a percentage of our GMV are lower but our profitability is higher when services revenues contribute to a larger share of our revenues. Our product mix also affects our revenue mix and profitability. Depending on the product category, we may derive more revenues from product sales than service fees, or vice versa, which may further impact our profitability.

Our ability to effectively invest in our technology platform and fulfillment infrastructure. Our results of operations depend in part on our ability to invest in our technology platform and fulfillment infrastructure cost-effectively. Capital expenditure for investments also affects our financial condition, especially our cash flow.

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 services providers. Our ability to gain better insight in inventory turnover and sales patterns, which allows us to better optimize our working capital, may also affect our operations.

Descriptions of Certain Statement of Operations Items

Net Revenues

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

We derive product sales revenues when we sell products to customers under the distribution model. We select and purchase goods from our brand partners and/or their authorized distributors and sell branded goods directly to customers through our online stores or our Maikefeng platform. Revenues generated from product sales include fees charged to customers 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 customers. We offer customers an unconditional right of return for a 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 we have maintained, and subject to adjustments to the extent that actual returns differ or are expected to differ.

We derive services revenues under the service fee model and consignment model. We provide IT services, online store operation services, digital marketing services and other services, such as payment collection, to our brand partners under the service fee model. Under the consignment model, we provide online store operation services and warehousing services, whereby our brand partners stock goods in our warehouses for future sales and we are responsible for delivering the goods to customers. Under the consignment model, brand partners may also use one or more of other services rendered by us. We may also facilitate our brand partners online sales of goods as an agent under the consignment model and charge our brand partners commission fees calculated based on a formula pre-agreed with our brand partners. 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. Based on these indicators, we record the commission fees as services revenue.

For services provided under the service fee model and consignment model, we charge our brand partners fees consisting of fixed fees and/or variable fees based on GMV or other variable factors such as number of orders fulfilled. In particular, variable fees based on GMV is 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. Revenues generated from services relating to online store design and setup and marketing and promotion services for brand partners are recognized when the services are rendered. Revenue generated from services relating to online store operations, customer services, and warehouse and fulfillment services consisted of both fixed fees and variable fees based on the value of merchandise sold. Fixed fees are recognized as revenues ratably over the service period. Variable fees are recognized as revenues when they become determinable based on the GMV and confirmed by our brand partners.

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

	For the Year Ended December 31,							For the Three Months Ended March 31,				
	2012		2013		2014			2014		2015		
	RMB	%	RMB	%	RMB	US$	%	RMB	%	RMB	US$	%
	(in thousands, except percentages)											
Net revenues												
Product sales	819,422	85.9	1,274,746	83.8	1,187,162	191,509	74.9	197,747	73.7	353,653	57,050	74.1
Services	135,042	14.1	247,090	16.2	397,258	64,084	25.1	70,731	26.3	123,546	19,930	25.9
Total net revenues	954,464	100.0	1,521,836	100.0	1,584,420	255,593	100.0	268,478	100.0	477,199	76,980	100.0

The following table sets forth the following operating data for each period indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2012	2013	2014	2014	2015
Number of brand partners as of the period end(1)	56	71	93	78	94
Number of GMV brand partners as of the period end(2)	53	61	78	66	84
Total GMV(3) **(RMB in millions)**	1,460 (4)	2,621 (4)	4,249 (4)	574 (4)	1,157 (4)
Average GMV per GMV brand partner(5)	30	46	61	9.0	14.0

(1) Brand partners are defined as companies for which we operate official brand stores or official marketplace stores under their brand names or have entered into agreements to do so.

(2) GMV brand partners are defined as brand partners that contributed to our GMV during the respective periods.

(3) GMV is defined as (i) the full value of all purchases transacted and settled on stores operated by us (including our Maikefeng platform but excluding stores for the operations of which we only charge fixed fees) and (ii) the full value of purchases for which customers have placed orders and paid deposits on such stores and which have been settled offline. Our calculation of GMV includes value added tax excludes (i) shipping charges and (ii) surcharges and other taxes, (iii) value of the goods that are returned and (iv) deposits for purchases that have not been settled.

(4) GMV of our Maikefeng platform was nil, nil, RMB33.9 million (US$5.5 million), RMB0.2 million and RMB22.5 million (US$3.6 million) in 2012, 2013, 2014 and the three months ended March 31, 2014 and 2015, respectively.

(5) Average GMV per GMV brand partner is calculated by dividing GMV (excluding Maikefeng) by the average number of GMV brand partners as of the beginning and end of the respective periods.

Our net revenues as a percentage of our GMV decreased from 65.4% in 2012 to 58.1% in 2013 and to 37.3% in 2014 and decreased from 46.8% in the three months ended March 31, 2014 to 41.2% in the three months ended March 31, 2015. The decreases in our net revenues as a percentage of our GMV over these periods were primarily due to the increase in our services revenues as a percentage of our net revenues, particularly the increase in commission fees charged by us under the consignment model. Because commission fees charged by

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us under the consignment model is recorded as the services revenue on a net basis, it represents a smaller percentage of GMV than sales of products under the distribution model, which is recorded as products sales revenue on a gross basis. The trend of our net revenues as a percentage of our GMV in the future depends on the relative pace of the increase in our services revenues and the increase in our product sales revenue, including revenue generated from our Maikefeng platform.

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,							For the Three Months Ended March 31,				
	2012		2013		2014			2014		2015		
	RMB	%	RMB	%	RMB	US$	%	RMB	%	RMB	US$	%
	(in thousands, except percentages)											
Net revenues	954,464	100.0	1,521,836	100.0	1,584,420	255,593	100.0	268,478	100	477,199	76,980	100
Operating expenses												
Cost of products	(808,063)	(84.7)	(1,245,832)	(81.9)	(1,086,133)	(175,211)	(68.3)	(182,593)	(68)	(322,929)	(52,094)	(67.5)
Fulfillment	(72,026)	(7.5)	(116,432)	(7.7)	(168,130)	(27,122)	(10.6)	(29,295)	(10.9)	(52,149)	(8,412)	(10.9)
Sales and marketing	(78,633)	(8.2)	(146,202)	(9.6)	(226,952)	(36,610)	(14.6)	(35,167)	(13.1)	(73,888)	(11,919)	(15.6)
Technology and content	(6,554)	(0.7)	(16,120)	(1.1)	(63,607)	(10,261)	(4.0)	(8,073)	(3.0)	(12,607)	(2,034)	(2.6)
General and administrative	(33,461)	(3.5)	(38,160)	(2.5)	(96,911)	(15,633)	(6.1)	(12,141)	(4.5)	(12,402)	(2,001)	(2.6)
Other operating expenses, net	(122)	(0.0)	(75)	(0.0)	457	74	(0.0)	(190)	(0.1)	(474)	(76)	(0.1)
Total operating expenses	(998,859)	(104.6)	(1,562,821)	(102.8)	(1,641,276)	(264,763)	(103.6)	(267,459)	(99.6)	(474,449)	(76,536)	(99.4)

Cost of products is separately presented for product sales under the distribution model. Cost of products 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. Our cost of products does not include other direct costs related to cost of product sales such as shipping and handling expenses, payroll and benefits of staff, logistic centers rental expenses and depreciation expenses. Therefore our cost of products may not be comparable to other companies which include such expenses in their cost of products. We expect our cost of products to increase in line with the growth of our net revenues generated from product sales.

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, picking, 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 hire additional fulfillment personnel and lease more warehouses to meet the demand driven by the increase in the GMV and expansion of our fulfillment services. We plan to make our fulfillment operations more efficient by setting up customized warehouse facilities to make full use of the available space, improve the pick-and-pack workflow efficiency, accommodate greater product selection and minimize order splitting.

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 as we devote further efforts to expand digital marketing services for our brand partners and engage in additional advertising activities to increase the GMV of stores operated by us.

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Our technology and content expenses consist primarily of technology infrastructure expenses and payroll and related expenses for employees in our technology and system department, editorial content, as well as costs associated with the computer, storage and telecommunications infrastructure for internal use. We expect spending in technology and content to increase over time as we add more experienced IT professionals and 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, 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, which include adding more staff to our general and administrative team, increasing expenses related to improving and maintaining our internal control over financial reporting and complying with our reporting obligations, and higher share-based compensation expenses.

Taxation

Cayman Islands

We are not subject to income or capital gains tax under the current laws of the Cayman Islands. The Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

Hong Kong

Our subsidiary incorporated in Hong Kong is subject to Hong Kong profit tax at a rate of 16.5% on its taxable income generated from operations in Hong Kong. Hong Kong does not impose a withholding tax on dividends.

China

Generally, our subsidiaries and consolidated VIE in China are subject to enterprise income tax on their taxable income in China at a rate of 25%. The enterprise income tax is calculated based on the entity s global income as determined under PRC tax laws and accounting standards.

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. We are also subject to surcharges on VAT payments in accordance with PRC law.

We are subject to business tax at a rate of 5% for our services.

Dividends paid by our wholly foreign-owned subsidiary in China to our intermediary holding company 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 receives approval from the relevant tax authority. If the relevant Hong Kong entity satisfies all the requirements under the tax arrangement and receives approval from the relevant tax authority, then the dividends paid to the Hong Kong entity 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 PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See 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 Enterprise Income Tax Law, and we may therefore be subject to PRC income tax on our global income.

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Critical Accounting Policies

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make judgments, estimates and assumptions. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical 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.

Revenue Recognition

We provide brand e-commerce solutions to our brand partners and have two revenue streams: (i) product sales and (ii) services. Consistent with the criteria of ASC 605, *Revenue Recognition*, we recognize revenues when the following four revenue recognition criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the selling price is fixed or determinable, and (iv) collectability is reasonably assured.

We generate revenues from selling branded products directly to customers under the distribution model or facilitate our brand partners sales of products as an agent under the consignment model.

We evaluate whether it is appropriate to record proceeds from product sales as revenues at the gross amount or the net amount as commission fees earned in accordance with ASC 605-45-45.

Product Sales

Under the distribution model, we select and purchase goods from our brand partners and/or their authorized distributors and sell goods directly to customers through online stores operated by us or on our Maikefeng platform. Revenue under the distribution model is recognized on a gross basis and presented as product sales in the consolidated statements of operations, because (i) we, rather than the brand partner, are the primary obligor and are responsible to the customers for the key aspects of the fulfillment of the transaction including pre-sales and after-sales services; (ii) we bear the physical and general inventory risk once the products are delivered to our warehouse; (iii) we have latitude in establishing prices; and (iv) we have credit risk. The majority of revenues generated from selling branded products are under the distribution model and recognized on a gross basis.

Product sales, net of return allowances, value added tax and related surcharges, are recognized when customers accept the products upon delivery. We offer online customers an unconditional right of return for a period of seven days upon receipt of products. Return allowances, which reduce revenue, are estimated based on historical data we have maintained and our analysis of returns by categories of products, and subject to adjustments to the extent that actual returns differ or expected to differ. We made gross return allowances against our revenue of RMB188,000, RMB265,000, RMB331,000 (US$53,396), RMB99,000 and RMB155,000 (US$25,004) for the years ended December 31, 2012, 2013, 2014 and the three months ended March 31, 2014 and 2015, respectively.

A majority of our customers make online payments through third-party payment platforms when they place orders on our online stores. The funds will not be released to us by these third-party payment platforms until the customers accept the delivery of the products at which point we recognize sales of products.

A portion of our customers pay upon the receipt of our products. Our delivery service providers collect the payments from our customers for us. We record a receivable on the balance sheet with respect to cash held by third-party couriers.

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Shipping and handling charges are included in net revenues. We typically do not charge shipping fees on orders exceeding a certain sale amount. Shipping revenue has not been material for the periods presented. Our shipping costs are presented as part of our operating expenses.

Services

In some instances, we facilitate the brand partners online sales of their respective branded products as an agent. We do not take title to the products, do not have any latitude in establishing prices and selecting merchandise, have no discretion in supplier selection, and generally are not involved in the determination of products specification. Based on these indicators, we have determined that revenue from our sales of products where we act as an agent are service fees in nature. Therefore, we record commission fees from our brand partners based on a pre-determined formula as services revenue in the consolidated statements of operations.

We also provide IT, online store operations, marketing and promotion, customer service, warehousing and fulfillment, and other services to our brand partners. Brand partners may elect to use our comprehensive end-to-end e-commerce solutions or select specific elements of our e-commerce supporting infrastructure and service that best fit their needs. We charge our brand partners a combination of fix fees and/or variable fees based on the value of merchandise sold or other variable factors such as number of orders fulfilled. Revenue generated from these service arrangements is recognized on a gross basis and presented as services revenue in the consolidated statements of operations. All the costs that we incur in the provision of the above services are classified as operating expenses on the consolidated statements of operations.

Revenue generated from services relating to IT service, and marketing and promotion services for brand partners are recognized when the services are rendered. Revenue generated from services relating to online store operations, customer services, and warehouse and fulfillment services consisted of both fixed fees and variable fees based on the value of merchandise sold. Fixed fee is recognized as revenue ratably over the service period. Variable fees are recognized as revenue when they become determinable based on the value of merchandise sold and confirmed by the brand partners.

Some of our service contracts are considered multiple element arrangements as they include provision of a combination of various services based on the brand partner s requirements. These contracts may include one-time online store design and setup services, marketing and promotion services during certain holidays, and continuous online store operation services, warehouse and fulfillment services over a period of time to the same brand partner.

We allocate arrangement consideration in multiple-deliverable revenue arrangements at the inception of an arrangement to all services revenues based on the relative selling price in accordance with the selling price hierarchy, which includes (i) vendor-specific objective evidence, or VSOE, if available; (ii) third-party evidence or TPE, if VSOE is not available, and (iii) best estimate of selling price, or BESP, if neither VSOE nor TPE is available.

VSOE. We determine VSOE based on our historical pricing and discounting practices for the specific service when sold separately. In determining VSOE, we require that a substantial majority of the selling prices for these services fall within a reasonably narrow pricing range. We have historical pricing for online store operation and customer services and warehousing and fulfillment services on a standalone basis. As a result, we have used VSOE to allocate the selling price for these services when they are elements of a multiple element arrangement. We have not historically priced one-time online store design and set up services on a standalone basis, and therefore, we consider TPE and BESP as discussed below.

TPE. When VSOE cannot be established for deliverables in multiple element arrangements, we apply judgment with respect to whether we can establish a selling price based on TPE. TPE is determined based on competitor prices for similar deliverables when sold separately. Generally, our business strategy differs from that of our peers, and its offerings contain a significant level of differentiation such that the comparable pricing of

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services with similar functionality cannot be obtained. Furthermore, we are unable to reliably determine what similar competitor services selling prices are on a stand-alone basis. As a result, for the periods presented in the consolidated financial statements, we have not been able to establish selling price based on TPE for any of our service offering.

BESP. When we are unable to establish selling price using VSOE or TPE, we use BESP in our allocation of arrangement consideration. The objective of BESP is to determine the price at which we would transact a sale if the service were sold on a stand-alone basis. We determine BESP for deliverables by considering multiple factors including, but not limited to, prices we charge for similar offerings and the cost of services we provide. We have used BESP to allocate the selling price of one-time online store design and set up services and marketing and promotion services under these multiple element arrangements. The process for determining BESP involves management judgment. Our process of considering multiple factors may vary depending upon the unique facts and circumstances related to each deliverable. If facts and circumstances underlying the factors we consider change, or should subsequent facts and circumstances lead us to consider additional factors, our BESP could change in future periods. We regularly review the evidence of selling prices for our services and maintain internal controls over the establishment and updates of these estimates. There were no material changes in BESP for our services during the years ended December 31, 2012, 2013, 2014 and the three months ended March 31, 2015, nor do we expect a material change in BESP in the foreseeable future.

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. This valuation requires us to make judgments, based on currently available information, about the likely method of disposition, such as through sales to individual customers or liquidations in limited instances due to closure of online stores, and expected recoverable values of each disposition category.

We adopt different strategies to deal with non-seasonal and seasonal demands. In addition, we actively track the sales data 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. Our inventory provision is made for valuation of inventory at the lower of cost or market value. In addition, we generally reserve for inventories on hand aging over certain period of time. Inventory provisions charged to cost of products were RMB9.9 million, RMB12.0 million, RMB12.5 million (US$2.0 million), RMB2.6 million and RMB4.0 million (US$0.6 million) for 2012, 2013, 2014 and the three months ended March 31, 2014 and 2015, respectively.

Share-Based Compensation

Our share-based payment transactions with our directors, employees and consultants are measured based on the grant date fair value of the equity instrument we issued and recognized as compensation expense over the requisite service period based on the straight-line method, with a corresponding impact reflected in additional paid-in capital.

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The following table sets forth information regarding the share options granted to eligible employees and directors:

Grant Date	Type of equity instrument	Number of Ordinary shares Underlying each equity instrument	Exercise Price		Fair Value of the Equity Instrument as of the Grant Date		Fair Value of the Underlying Ordinary Shares as of the Grant Date		Intrinsic Value as of the Grant Date	
			RMB	US$	RMB	US$	RMB	US$	RMB in thousands	US$ in thousands
February 1, 2012	Share options	1,298,422	0.1	0.02	3.47	0.56	3.53	0.56	4,454	719
June 28, 2013	Share options	3,599,400	0.1	0.02	5.93	0.96	5.99	0.97	21,200	3,420
August 29, 2014	Share options	8,892,833	0.1	0.02	13.32	2.15	13.38	2.16	118,097	19,050
February 6, 2015	Share options	1,780,482	9.19	1.50	16.43	2.65	22.63	3.65	23,730	3,828
February 6, 2015	Share options	2,169,493	17.57	2.87	12.21	1.97	22.63	3.65	10,490	1,692

Management is responsible for determining the fair value of options granted to our directors, employees and consultants and considered a number of factors including valuations.

In determining the fair value of our share options, the binomial option pricing model was applied. The key assumptions used to determine the fair value of the options at the relevant grant dates were as follows. Changes in these assumptions could significantly affect the fair value of stock options and hence the amount of compensation expenses we recognize in our consolidated financial statements.

Our share-based compensation expenses are measured at the fair value of the awards as calculated under the binomial option-pricing model. Assumptions used in the binomial model are presented below:

	2012	2013	2014	Three Months Ended March 31, 2015
Risk-free interest rate (per annum)[(1)]	2.57%	2.59%	2.99%	2.61%
Contract life (in years)	10	10	10	10
Expected volatility range[(3)]	55.97%	50.68%	50.48%	48.78%
Expected dividend yield[(4)]	0.00%	0.00%	0.00%	0.00%

(1) We estimate risk-free interest rate based on the yield to maturity of U.S. treasury bonds denominated in US$ and adjusted for country risk premium of PRC with a maturity similar to the expected expiry of the term.

(2) We estimate the volatility is based on the historical volatility of the comparable companies in the period equal to average time to expiration to the valuation date.

(3)

We have never declared or paid any cash dividends on our capital stock, and we do not anticipate any dividend payments on our ordinary shares in the foreseeable future.

The assumptions used in share-based compensation expenses recognition represent our best estimates, but these estimates involve inherent uncertainties and the application of our judgment. If factors change or different assumptions are used, our share-based compensation expenses could be materially different for any period.

Moreover, the estimates of fair value are not intended to predict actual future events or the value that ultimately will be realized by grantees who receive share-based awards, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by us for accounting purposes.

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We apply ASC 718, *Compensation Stock Compensation*, or ASC 718, to account for our employee share-based payments. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in the subsequent period if actual forfeitures differ from initial estimates. Forfeiture rates are estimated based on historical and future expectations of employee turnover rates and are adjusted to reflect future changes in circumstances and facts, if any. Share-based compensation expenses are recorded net of estimated forfeitures such that expense is recorded only for those share-based awards that are expected to vest. To the extent we revise these estimates in the future, the share-based payments could be materially impacted in the period of revision, as well as in following periods.

Fair Value of Our Ordinary Shares

We are a private company with no quoted market prices for our ordinary shares. We have therefore needed to make estimates of the fair value of our ordinary shares at various dates for the following purposes:

- determining the fair value of our ordinary shares at the date of issuance of convertible instruments as one of the inputs in determining the intrinsic value of the beneficial conversion feature, if any; and

- determining the fair value of our ordinary shares at the date of the grant of a share-based compensation award to our employees as one of the inputs in determining the grant date fair value of the award.

The following table sets forth the fair value of our ordinary shares estimated at different times with the assistance from an independent valuation firm:

Date	Total Equity Value		Fair Value per Ordinary Share		DLOM	Discount Rate	Purpose of Valuation
	(RMB in thousand)	(US$ in thousand)	(RMB)	US$			
February 1, 2012	376,941	61,411	3.53	0.57	30%	15%	Share options grant
September 21, 2012	549,637	89,547	2.92	0.47	30%	15%	To determine potential beneficial conversion feature in connection with the issuance of Series C1 convertible redeemable preferred shares
June 28, 2013	940,927	153,295	5.99	0.97	25%	15%	Share options grant
August 29, 2014	1,866,669	304,117	13.38	2.16	18%	15%	To determine potential beneficial conversion feature in connection with the issuance of Series C2 convertible redeemable preferred shares, and share option grant
February 6, 2015	3,134,000	505,565	22.63	3.65	14%	15%	Share options grant

In determining the fair value of our ordinary shares, we applied the income approach/ discounted cash flow, or DCF, analysis based on our projected cash flow using management s best estimate as of the valuation date. The determination of the fair value of our ordinary shares requires complex and subjective judgments to be made regarding our projected financial and operating results, our unique business risks, the liquidity of our shares and our operating history and prospects at the time of valuation.

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The major assumptions used in calculating the fair value of ordinary shares include:

Discount Rates. The discount rates listed out in the table above were based on the weighted average cost of capital, which was determined based on a consideration of the factors including risk-free rate, comparative industry risk, equity risk premium, company size and non-systemic risk factors.

Comparable Companies. In deriving the weighted average cost of capital used as the discount rates under the income approach, seven publicly traded companies were selected for reference as our guideline companies. The guideline companies were selected based on the following criteria: (i) they operate in the e-commerce industry and (ii) their shares are publicly traded in developed capital markets, including the United States, South Korea, Japan, Taiwan and the UK.

Discount for Lack of Marketability, or DLOM. DLOM was quantified by the Black-Scholes option pricing model. Under this option-pricing method, the cost of the put option, which can hedge the price change before the privately held shares can be sold, was considered as a basis to determine the DLOM. This option pricing method is one of the methods commonly used in estimating DLOM as it can take into consideration factors like timing of a liquidity event, such as an initial public offering, and estimated volatility of our shares. The farther the valuation date is from an expected liquidity event, the higher the put option value and thus the higher the implied DLOM. The lower DLOM is used for the valuation, the higher is the determined fair value of the ordinary shares.

The income approach involves applying appropriate discount rates to estimated cash flows that are based on earnings forecasts. Our revenues and earnings growth rates, as well as major milestones that we have achieved, contributed to the increase in the fair value of our ordinary shares from 2012 to the first quarter of 2015.

However, these fair values are inherently uncertain and highly subjective. The assumptions used in deriving the fair values are consistent with our business plan. These assumptions include: (i) no material changes in the existing political, legal and economic conditions in China; (ii) our ability to retain competent management, key personnel and staff to support our ongoing operations; and (iii) no material deviation in market conditions from economic forecasts. These assumptions are inherently uncertain.

The option-pricing method was used to allocate enterprise value to preferred and ordinary shares, taking into account the guidance prescribed by the AICPA Audit and Accounting Practice Aid, *Valuation of Privately-Held Company Equity Securities Issued as Compensation*. The method treats common stock and preferred stock as call options on the enterprise s value, with exercise prices based on the liquidation preference of the preferred stock.

The option-pricing method involves making estimates of the anticipated timing of a potential liquidity event, such as a sale of our company or an initial public offering, and estimates of the volatility of our equity securities. The anticipated timing is based on the plans of our board of directors and management. Estimating the volatility of the share price of a privately held company is complex because there is no readily available market for the shares. We estimated the volatility of our shares to range from 40.5% to 45.9% based on the historical volatilities of comparable publicly traded companies engaged in similar lines of business. Had we used different estimates of volatility, the allocations between preferred and ordinary shares would have been different.

The fair value of our ordinary shares decreased from RMB3.53 (US$0.57) per share as of February 1, 2012 to RMB2.92 (US$0.47) per share as of September 21, 2012. The decrease in fair value of our ordinary shares was attributable to dilution impact from the issuance of convertible redeemable preferred shares on September 21, 2012.

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The fair value of our ordinary shares increased from RMB2.92 (US$0.47) per share as of September 21, 2012 to RMB13.38 (US$2.16) per share as of August 29, 2014. The increase in fair value of our ordinary shares was primarily attributable to organic business growth:

- We further improved the functionality and user experience of online stores and increased the number of brand partners.
- We reduced the proportion of personal computers in our product mix due to their lower markups, and the reduction was expected to improve our overall profitability.
- We entered into new product categories, mainly automobile and insurance, which we expected would generate more revenues and increase our overall profitability.
- We launched new business in mkf.com.
- Our GMV increased during the period.

The fair value of our ordinary shares increased from RMB13.38 (US$2.18) per share as of August 29, 2014 to RMB22.63 (US$3.65) per share as of February 6, 2015, primarily due to the following reasons:

- Our actual performance in 2014 exceeded expectations and we have attracted more brand partners in 2015.
- We projected our financial performance to improve in the long run once we begin to receive contribution from our Maikefeng business.
- DLOM was lower as we were approaching the expected initial public offering date.

The estimates used to determine the fair value of ordinary shares will not be necessary to determine the fair value of new awards once our ADSs begin trading.

Income Taxes

Current income taxes are provided 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. We follow the liability method of accounting for income taxes.

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 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. We record a valuation allowance to offset deferred tax assets if based on 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 rate is recognized in our consolidated financial statements in the period of change.

In accordance with the provisions of ASC 740, we recognize in our financial statements the benefit of a tax position if the tax position is more likely than not to prevail based on the facts and technical merits of the position. Tax positions that meet the more likely than not recognition threshold are measured at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. We estimate our liability for unrecognized tax benefits which are periodically assessed and may be affected by changing interpretations of laws, rulings by tax authorities, changes and/or developments with respect to tax audits, and expiration of the statute of limitations. The ultimate outcome for a particular tax position may not be determined with certainty prior to the conclusion of a tax audit and, in some cases, appeal or litigation process.

We consider positive and negative evidence when determining whether some portion or all of our deferred tax assets will not be realized. This assessment considers, among other matters, the nature, frequency and

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severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carry-forward periods, our historical results of operations, and our tax planning strategies. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Based upon the level of our historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, we believe it is more likely than not that we will not realize the deferred tax assets resulted from the tax loss carried forward in the future periods.

The actual benefits ultimately realized may differ from our estimates. As each audit is concluded, adjustments, if any, are recorded in our financial statements in the period in which the audit is concluded. Additionally, in future periods, changes in facts, circumstances and new information may require us to adjust the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recognized in the period in which the changes occur. As of December 31, 2012, 2013, 2014 and March 31, 2015, we did not have any significant unrecognized uncertain tax positions.

Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board, or FASB, issued a pronouncement which provides guidance on financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The FASB s objective in issuing this Accounting Standards Update, or ASU, is to eliminate diversity in practice resulting from a lack of guidance on this topic in current U.S. GAAP. The amendments in this ASU state that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. This ASU applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. We have adopted this ASU and concluded that there is no material impact on our consolidated financial results or disclosure.

In May 2014, the FASB and International Accounting Standards Board, or IASB, issued their converged standard on revenue recognition. The objective of the revenue standard ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. The revenue standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. For public companies, the revenue standard is effective for the first interim period within annual reporting periods beginning after December 15, 2016 and early adoption is not permitted. We are in the process of evaluating the impact of the standard on our consolidated financial statements.

On August 27, 2014, the FASB issued ASU 2014-15, which provides guidance on determining when and how reporting entities must disclose going-concern uncertainties in their financial statements. The new standard requires management to perform interim and annual assessments of an entity s ability to continue as a going concern within one year of the date of issuance of the entity s financial statements (or within one year after the date on which the financial statements are available to be issued, when applicable). Further, an entity must provide certain disclosures if there is substantial doubt about the entity s ability to continue as a going concern.

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The ASU is effective for annual periods ending after December 15, 2016, and interim periods thereafter. Early adoption is permitted. The ASU must be applied at the effective date, and we are in the process of evaluating the impact of the standard on our consolidated financial statements.

In November 2014, the FASB issued a new pronouncement which provides guidance on determining whether the host contract in a hybrid financial instrument issued in the form of a share is more akin to debt or to equity. The new standard requires management to determine the nature of the host contract by considering the economic characteristics and risks of the entire hybrid financial instrument, including the embedded derivative feature that is being evaluated for separate accounting from the host contract. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption, including adoption in an interim period, is permitted. The effects of initially adopting the amendments in this update should be applied on a modified retrospective basis to existing hybrid financial instruments issued in the form of a share as of the beginning of the fiscal year for which the amendments are effective. We are in the process of assessing the effect of adoption of this guidance on our consolidated financial statements.

Internal Control over Financial Reporting

Prior to this offering, we have been a private company with limited numbers of accounting personnel and other resources with which to address our internal controls and procedures. In connection with the audit of our consolidated financial statements for 2012, 2013 and 2014, we and our auditors, an independent registered public accounting firm, identified one material weakness and one significant deficiency in our internal control over financial reporting. As defined in the standards established by the PCAOB, a material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting, that is less severe than a material weakness yet important enough to merit attention by those responsible for oversight of the company s financial reporting.

The material weakness identified was we lacked formal process to identify and address risk of material misstatement related to U.S. GAAP reporting. This identified material weakness could affect our ability to accurately and timely report our financial results in accordance with U.S. GAAP, and to prevent or detect material misstatements of the company s annual or interim financial statements on a timely basis.

Neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal control under the Sarbanes-Oxley Act for purposes of identifying and reporting any weakness in our internal control over financial reporting. We and they are required to do so only after we become a public company. Had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional control deficiencies may have been identified.

To remediate our identified material weakness and improve our internal control over financial reporting, we are in the process of implementing the risk assessment process, preparing the risk assessment documentation and performing the formal evaluation process for evaluating related risks based on such documentation.

The significant deficiency identified was we lacked audit committee and enough internal audit resources to establish formal internal control framework. Following the identification of the significant deficiency, we are in the process of establishing an audit committee before the closing of this offering. We will improve our internal audit function and hire an experienced internal auditor by the end of 2015. The internal auditor will be independent of our operations and will report directly to the audit committee. We will perform self-assessment of internal control effectiveness on a continuous basis. The identified deficiency will be corrected and documented in a timely manner. We will also hire more competent personnel or seek external professional service related to SOX 404 compliance.

We cannot assure you that all these measures will be sufficient to remediate our material weakness or significant deficiency in time, or at all. See Risk Factors Risks Related to Our Business If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired.

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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.

	For the Year Ended December 31,							For the Three Months Ended March 31,				
	2012		2013		2014			2014		2015		
	RMB	%	RMB	%	RMB	US$	%	RMB	%	RMB	US$	%
	(in thousands, except for per share and per ADS data and number of shares)											
Net revenues												
Product sales	819,422	85.9	1,274,746	83.8	1,187,162	191,509	74.9	197,747	73.7	353,653	57,050	74.1
Services	135,042	14.1	247,090	16.2	397,258	64,084	25.1	70,731	26.3	123,546	19,930	25.9
Total net revenues	954,464	100.0	1,521,836	100.0	1,584,420	255,593	100.0	268,478	100	477,199	76,980	100
Operating Expenses(1)												
Cost of products	(808,063)	(84.7)	(1,245,832)	(81.9)	(1,086,133)	(175,211)	(68.6)	(182,593)	(68)	(322,929)	(52,094)	(67.5)
Fulfillment	(72,026)	(7.5)	(116,432)	(7.7)	(168,130)	(27,122)	(10.6)	(29,295)	(10.9)	(52,149)	(8,412)	(10.9)
Sales and marketing	(78,633)	(8.2)	(146,202)	(9.6)	(226,952)	(36,610)	(14.3)	(35,167)	(13.1)	(73,888)	(11,919)	(15.6)
Technology and content	(6,554)	(0.7)	(16,120)	(1.1)	(63,607)	(10,261)	(4.0)	(8,073)	(3.0)	(12,607)	(2,034)	(2.6)
General and Administrative	(33,461)	(3.5)	(38,160)	(2.5)	(96,911)	(15,633)	(6.1)	(12,141)	(4.5)	(12,402)	(2,001)	(2.6)
Other operating expenses, net	(122)	(0.0)	(75)	(0.0)	457	74	0.0	(190)	(0.1)	(474)	(76)	(0.1)
Total operating expenses	(998,859)	(104.6)	(1,562,821)	(102.8)	(1,641,276)	(264,763)	(103.6)	(267,459)	(99.6)	(474,449)	(76,536)	(99.4)
Loss from operations	(44,395)	(4.6)	(40,985)	(2.8)	(56,856)	(9,170)	(3.6)	1,019	0.4	2,750	444	0.6
Other income (expenses)												
Interest income	122	0.0	4,574	0.3	3,156	509	0.2	1,053	0.4	575	93	0.1
Interest expenses	(3,275)	(0.3)	(677)	(0.0)	(1,552)	(250)	(0.1)					
Exchange gain (loss)	314	0.0	(376)	(0.0)	(2,650)	(427)	(0.2)	(1)	(0.0)	(505)	(81)	(0.1)
Income (loss) before income tax and share of loss in equity method investment	(47,234)	(4.9)	(37,464)	(2.5)	(57,902)	(9,338)	(3.7)	2,071	0.8	2,820	456	0.6
Income tax benefit (expenses)			(307)	(0.1)	(1,912)	(308)	(0.1)	(308)	(0.1)	986	159	0.2
Income (loss) before share of loss in equity method investment	(47,234)	(4.0)	(37,771)	(2.5)	(59,814)	(9,646)	(3.8)	1,763	0.7	3,806	615	0.8

Share of loss in equity method investment										(1,824)	(294)	(0.4)
Net income (loss)	(47,234)	(4.9)	(37,771)	(2.5)	(59,814)	(9,646)	(3.8)	1,763	0.7	1,982	320	0.4
Deemed dividend from issuance of convertible redeemable preferred shares	(4,683)	(0.5)			(16,666)	(2,688)	(1.1)					
Change in redemption value of convertible redeemable preferred shares	(16,231)	(1.7)	(61,435)	(4.0)	(79,169)	(12,771)	(5.0)	(17,074)	(6.4)	(25,332)	(4,086)	(5.3)
Net loss attributable to ordinary shareholders	(68,148)	(7.1)	(99,206)	(6.5)	(155,649)	(25,105)	(9.8)	(15,311)	(5.7)	(23,350)	(3,765)	(4.9)
Net loss per share attributable to ordinary shareholders												
Basic	(2.27)	0.0	(3.31)	0.0	(5.31)	(0.86)	0.0	(0.51)	0.0	(0.83)	(0.13)	0.0
Diluted	(2.27)	0.0	(3.31)	0.0	(5.31)	(0.86)	0.0	(0.51)	0.0	(0.83)	(0.13)	0.0
Net loss per ADS[(2)]												
Basic	(6.81)	0.0	(9.93)	0.0	(15.93)	(2.58)	0.0	(1.53)	0.0	(2.49)	(0.39)	0.0
Diluted	(6.81)	0.0	(9.93)	0.0	(15.93)	(2.58)	0.0	(1.53)	0.0	(2.49)	(0.39)	0.0
Weighted average shares used in calculating net loss per ordinary share												
Basic	29,983,883		29,983,883		29,314,067	29,314,067		29,983,883		28,058,820	28,058,820	
Diluted	29,983,883		29,983,883		29,314,067	29,314,067		29,983,883		28,058,820	28,058,820	

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

	For the Year Ended December 31,				For the Three Months Ended March 31,		
	2012	2013	2014		2014	2015	
	RMB	RMB	RMB	US$	RMB	RMB	US$
	(in thousands)						
Fulfillment	(73)	(584)	(460)	(74)	(69)	(345)	(56)
Sales and marketing	(685)	(5,822)	(5,469)	(882)	(950)	(2,808)	(453)
Technology and content	(159)	(1,608)	(26,311)	(4,244)	(207)	(968)	(156)
General and administrative	(3,609)	(3,492)	(52,723)	(8,506)	(361)	(1,541)	(249)
	4,526	11,506	84,963	13,706	1,587	5,662	914

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

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Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2015

Net Revenues

Our total net revenues increased by 77.7% from RMB268.5 million in the three months ended March 31, 2014 to RMB477.2 million (US$76.9 million) in the three months ended March 31, 2015 primarily due to an increase of total GMV from RMB573.7 million to RMB1,157.0 million, representing an increase of 101.7%, an increase in the number of our brand partners from 78 to 94, and an increase in Average GMV per GMV brand partner from RMB9.0 million to RMB14.0 million during the same period.

Net revenue from product sales increased by 78.8% from RMB197.7 million to RMB353.7 million (US$57.1 million) as a result of an increase in our GMV. A substantial portion of the increase in GMV was attributable to an increase in sales in the stores we operate under the distribution model for multiple existing major brand partners. Such increase was (i) due to increased promotional activities in connection with launches (and exclusive distribution at times) of new or next-generation products and upgrades, which we expect to recur with similar launches in the future, or, (ii) due to more competitive pricing we could offer for the products we sell as a result of favorable procurement terms we obtained from brand partners, which we hope to repeat for such and other brand partner(s) and which we expect to benefit us across multiple periods. The increase in net revenues from product sales was also partially attributable to the launch of our Maikefeng platform and addition of new brand partners.

Net revenues from services increased by 74.7% from RMB70.7 million to RMB123.5 million (US$19.9 million). The increase, especially with respect to variable service fees, was primarily driven by an increase in GMV. Net revenues from fixed fee services, aside from benefiting from higher service demand from an increase in GMV activities, also benefited from new addition of brand partners in need of market entry services or existing brand partners mounting targeted marketing campaigns. In particular, the increase in net revenues from services during the period was primarily attributable to the following: (i) a substantial portion of the increase was due to the addition of brand partners primarily in the auto and apparel categories, and (ii) a significant portion of the increase was attributable to growth in sales in the apparel category that benefited from efforts of existing brand partners at promoting their online presence.

Operating Expenses

Our operating expenses increased by 77.4% from RMB267.5 million in the three months ended March 31, 2014 to RMB474.4 million (US$76.5 million) in the three months ended March 31, 2015. This increase was due to the growth of our business, which has resulted in increases in our cost of products, fulfillment expenses, sales and marketing expenses, technology and content expenses and general and administrative expenses.

Cost of Products. Our cost of products increased by 76.9% from RMB182.6 million in the three months ended March 31, 2014 to RMB322.9 million (US$52.1 million) in the three months ended March 31, 2015. Cost of products as a percentage of net revenues from product sales slightly decreased from 92.3% in the three months ended March 31, 2014 to 91.3% in the three months ended March 31, 2015 due to better procurement terms.

Fulfillment Expenses. Our fulfillment expenses increased by 78.0% from RMB29.3 million in the months ended March 31, 2014 to RMB52.1 million (US$8.4 million) in the three months ended March 31, 2015. This increase was primarily due to the increase in GMV from RMB573.7 million in March 31, 2014 to RMB1,157.0 million (US$186.6 million) in March 31, 2015 and specifically, (i) an increase in expenses charged by third-party couriers for dispatching and delivering our products, and (ii) an increase in personnel cost and expenses attributable to picking and sorting, as our volume of product sales increased and we provided more fulfillment services to our brand partners. The increase in our fulfillment expenses was also due to an increase in the rental expenses for our warehouses, which was primarily due to the increase in the aggregate gross floor area leased.

Sales and Marketing Expenses. Our sales and marketing expenses increased by 110.1% from RMB35.2 million in the three months ended March 31, 2014 to RMB73.9 million (US$11.9 million) in the three months ended March 31, 2015. This increase was primarily due to an increase in promotion and marketing expenses from RMB21.5 million in the three months ended March, 31 2014 to RMB50.3 million (US$8.1

million) in the three months ended March 31, 2015, resulting from the increase in our advertising expenditures on Tmall, as we engaged in more advertising activities to increase the GMV of stores operated by us and enhance the recognition of our Maikefeng platform. The increase in promotion and marketing expenses was also due to higher compensation to new hires of our marketing team, which are better qualified to provide digital marketing services to our brand partners. Our sales and marketing expenses increased also because the personnel cost and expenses attributable to online store operations increased due to the increase in the number of brand partners and online stores operated by us.

Technology and Content Expenses. Our technology and content expenses increased by 56.2% from RMB8.1 million in the three months ended March 31, 2014 to RMB12.6 million (US$2.0 million) in the three months ended March 31, 2015. The increase was primarily due to the increase in the headcount of our technology employees from 173 as of March 31, 2014 to 191 as of March 31, 2015.

General and Administrative Expenses. Our general and administrative expenses increased by 2.2% from RMB12.1 million in the three months ended March 31, 2014 to RMB12.4 million (US$2.0 million) in the three months ended March 31, 2015. The increase was primarily due to an increase in our share-based compensation and rental and utilities expenses, largely offset by a decrease in professional and consulting fee resulting from the completion of the upgrade and integration of our internal management system.

Interest Income

Our interest income decreased from RMB1.1 million in the three months ended March 31, 2014 to RMB0.6 million (US$93,000) in the three months ended March 31, 2015. This decrease was primarily due to the smaller average cash balance we held in the three months ended March 31, 2015.

Income tax

We had income tax expense of RMB0.3 million (US$49,685) in the three months ended March 31, 2014 and income tax benefit of RMB1.0 million (US$0.2 million) in the three months ended March 31, 2015. The recognition of income tax benefit in the three months ended March 31, 2015 was primarily due to the reversal of valuation allowance for deferred tax assets and recognition of deferred tax assets relating to current year temporary differences. We considered positive and negative evidences when determining whether some portion or all of our deferred tax assets will be realized for 2015. We expect some of our PRC subsidiaries to be able to utilize net operating loss carry forward and recognize temporary differences in 2015 and recorded an income tax benefit for the three months ended March 31, 2015 in accordance with *ASC 740-270*. We believe we will be able to continue to generate taxable income to utilize our net operating loss carry forward and recognize deferred tax assets. Therefore, we have and expect to record income tax benefits in 2015.

Loss from Equity in Affiliates

We had no loss from equity in affiliates in the three months ended March 31, 2014 and incurred a loss from equity in affiliates of RMB1.8 million (US$0.3 million) in the three months ended March 31, 2015, primarily due to our investment in Automoney. We jointly established Automoney with an unrelated party investor and subscribed 50% of its equity interest upon its formation for a cash contribution of RMB10.6 million in January 2015. Due to the significant influence we have over Automoney s operating and financial policies, we account for our investment in Automoney under the equity method, and as a result, we are required to recognize our share of Automoney s losses in our statement of operations. Automoney is expected to continue to incur significant losses and we expect to incur more loss from equity in affiliates in the near future. See Risk Factors Risks Related to Our Business Our investments in other entities may not be successful and we may incur significant losses as a result.

Net Income

As a result of the foregoing, our net income increased by 12.4% from RMB1.8 million in the three months ended March 31, 2014 to RMB2.0 million (US$0.3 million) in the three months ended March 31, 2015.

Net Loss Attributable to Ordinary Shareholders

Our net loss attributable to ordinary shareholders increased by 52.5% from RMB15.3 million in the three months ended March 31, 2014 to RMB23.4 million (US$3.8 million) in the three months ended March 31, 2015.

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Year Ended December 31, 2013 Compared to Year Ended December 31, 2014.

Net Revenues

Our total net revenues increased by 4.1% from RMB1,521.8 million in 2013 to RMB1,584.4 million (US$255.4 million) in 2014. Net revenue generated from product sales decreased by 6.9% while net revenues from services grew by 60.8%. The decrease in our net revenues generated from product sales was primarily due to the decrease in the sales of personal computer products in the electronics products category resulting from our adjustment in the mix of products for higher markups, partially offset by increases in sales of products in other categories. This adjustment is due to our strategy to focus on sales of products with higher markups and we believe that this will help improve our results of operations in the long term. The increase in our net revenues generated from services was because of the increases in the number of our brand partners and GMV of our existing brand partners.

Operating Expenses

Our operating expenses increased by 5.0% from RMB1,562.8 million in 2013 to RMB1,641.3 million (US$264.5 million) in 2014. This increase was due to the increase in share-based compensation expenses from RMB11.5 million in 2013 to RMB85.0 million (US$13.7 million) in 2014, significantly offset by the decrease in our cost of products.

Cost of Products. Our cost of products decreased by 12.8% from RMB1,245.8 million in 2013 to RMB1,086.1 million (US$175.1 million) in 2014. Cost of products as a percentage of net revenues from product sales decreased from 97.7% in 2013 to 91.5% in 2014. The decrease was primarily due to the significant decrease in the sales of personal computer products, for which our markup is typically small.

Fulfillment Expenses. Our fulfillment expenses increased by 44.4% from RMB116.4 million in 2013 to RMB168.1 million (US$27.1 million) in 2014. This increase was primarily due to the increase in GMV from RMB2,620.8 million in 2013 to RMB4,248.9 million (US$684.8 million) in 2014 and specifically, (i) an increase in expenses charged by third-party couriers for dispatching and delivering our products, and (ii) an increase in personnel cost and expenses attributable to picking and sorting, as our volume of product sales increased and we provided more fulfillment services to our brand partners. The increase in our fulfillment expenses was also due to (i) an increase in the rental expenses for our warehouses, which was primarily due to the increase in the aggregate gross floor area leased, and (ii) an increase in personnel cost and expenses attributable to customer service resulting from the increase in the number of brand partners and online stores. The increase was also due to an increase in share-based compensation expenses.

Sales and Marketing Expenses. Our sales and marketing expenses increased by 55.2% from RMB146.2 million in 2013 to RMB227.0 million (US$36.6 million) in 2014. This increase was primarily due to an increase in promotion and marketing expenses from RMB56.1 million in 2013 to RMB114.8 million (US$18.5 million) in 2014 resulting from the increase in our advertising expenditures on Tmall, as we engaged in more advertising activities to increase the GMV of stores operated by us and enhance the recognition of our Maikefeng platform. The increase in promotion and marketing expenses was also due to the hiring of more professionals and staff for our marketing team to enhance our digital marketing service to our brand partners. Our sales and marketing expenses increased also because the personnel cost and expenses attributable to online store operations increased due to the increase in the number of brand partners and online stores.

Technology and Content Expenses. Our technology and content expenses increased by 294.6% from RMB16.1 million in 2013 to RMB63.6 million (US$10.3 million) in 2014. The increase was primarily due to an increase in share-based compensation expenses from RMB1.6 million in 2013 to RMB26.3 million (US$4.2 million) in 2014, as we granted immediately vesting share options to our co-founder, director and chief operating officer, Mr. Junhua Wu, in August 2014. This increase was also due to the increase in the headcount of our technology employees from 167 as of December 31, 2013 to 195 as of December 31, 2014 to execute our technology related strategies of improving our technology platform and launch our IT services in Indonesia. The increase was also due to an increase in the expenses incurred for software and hardware maintenance.

General and Administrative Expenses. Our general and administrative expenses increased by 154.0% from RMB38.2 million in 2013 to RMB96.9 million (US$15.6 million) in 2014. The increase was primarily due to an increase in share-based compensation expenses from RMB3.5 million in 2013 to RMB52.7 million (US$8.5

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million) in 2014, as, in August 2014, we granted immediately vesting share options to our co-founder, chief executive officer and director, Mr. Vincent Wenbin Qiu, and our co-founder and director, Mr. Michael Qingyu Zhang, which materially increased our general and administrative expenses. This increase was also due to (i) an increase in employee benefits, resulting from an increase in headcount of general and administrative employees and an increase in the salary level, (ii) an increase in depreciation and amortization resulting from leasehold improvements of our offices, and (iii) an increase in the rental and utility expenses for our offices, as we leased more office space.

Interest Income

Our interest income decreased from RMB4.6 million in 2013 to RMB3.2 million (US$0.5 million) in 2014. This decrease was primarily due to the smaller average cash balance we held in 2014.

Interest Expense

Our interest expense increased from RMB0.7 million in 2013 to RMB1.6 million (US$0.3 million) in 2014. This increase was primarily due to a higher average short-term bank borrowings amount outstanding in 2014. In 2014, we drew down RMB160.0 million under short-term bank credit facilities, compared to RMB55.5 million in 2013, mainly for inventory procurements in preparation for the expected stronger sales on Singles Day. We have fully repaid the short-term borrowings by the end of 2014.

Net Loss

As a result of the foregoing, our net loss increased by 58.4% from RMB37.8 million in 2013 to RMB59.8 million (US$9.6 million) in 2014.

Net Loss Attributable to Ordinary Shareholders

Our net loss attributable to ordinary shareholders increased by 56.9% from RMB99.2 million in 2013 to RMB155.6 million (US$25.1 million) in 2014.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2013

Net Revenues

Our total net revenues increased by 59.4% from RMB954.5 million in 2012 to RMB1,521.8 million in 2013, with increases in net revenues from both product sales and services. Net revenue generated from product sales grew by 55.6% while net revenues from services grew by 83.0%. The increase in our net revenues generated from product sales was primarily due to the significant growth in the sales volume of all categories of products in the online stores, which was driven by (i) the increased numbers of our brand partners and stores and (ii) the increased sales volume of all categories of products in existing stores resulting from the continued growth of the number of customers who use e-commerce platform in the retail industry. The increase in our net revenues generated from services was driven by the increase in variable service fees based on GMV and other variable factors and fixed service fees. Variable service fees based on GMV increased because of the increase in GMV of our brand partners. Variable service fees based on other variable factors, such as the number of orders, increased because of the overall increase in our sales volume. Fixed service fees generated from our brand partners also increased as the overall number of our brand partners increased, including those which we charge fixed fees for services provided.

Operating Expenses

Our operating expenses increased by 56.5% from RMB998.9 million in 2012 to RMB1,562.8 million in 2013. This increase was due to increases in all of our operating expense line items.

Cost of Products. Our cost of products increased by 54.2% from RMB808.1 million in 2012 to RMB1,245.8 million in 2013. This increase reflects the increase in GMV of product sales under the distribution model. Cost of products as percentage of net revenues from product sales decreased from 98.6% in 2012 to 97.7% in 2013. The decrease was primarily due to more favorable prices we obtained from our brand partners as we increased economy of scales in 2013.

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Fulfillment Expenses. Our fulfillment expenses increased by 61.7% from RMB72.0 million in 2012 to RMB116.4 million in 2013. This increase was primarily due to the increase in GMV from RMB1,460.4 million in 2012 to RMB2,620.8 million in 2013 and specifically, (i) an increase in expenses charged by third-party couriers for dispatching and delivering our products, and (ii) an increase in personnel cost and expenses attributable to picking and sorting, as our volume of product sales increased and we provided more fulfillment services to our brand partners. The increase in our fulfillment expenses was also attributable to (i) an increase in personnel cost and expenses attributable to store operations due to the increase in the number of brand partners and stores operated by us and (ii) an increase in the rental expenses for our warehouses, which was primarily due to the increase in the aggregate gross floor area leased. In addition, the increase was due to an increase in share-based compensation expenses from RMB0.07 million in 2012 to RMB0.6 million in 2013. The increase in our fulfillment expenses was also due to an increase in the packaging materials from RMB6.0 million in 2012 to RMB7.6 million in 2013.

Sales and Marketing Expenses. Our sales and marketing expenses increased by 85.9% from RMB78.6 million in 2012 to RMB146.2 million in 2013. This increase was primarily due to an increase in promotion and marketing expenses from RMB22.5 million in 2012 to RMB56.1 million in 2013 resulting from the increase in our advertising expenditures on Tmall, as we engaged in more advertising activities to increase the GMV of stores operated by us. The increase in promotion and marketing expenses was also due to the hiring of more professionals and staff for our marketing team to enhance our digital marketing service to our brand partners. Our sales and marketing expenses increased also because the personnel cost and expenses attributable to online store operations increased due to the increase in the number of brand partners and online stores. In addition, the increase was due to an increase in share-based compensation expenses from RMB0.7 million in 2012 to RMB5.8 million in 2013.

Technology and Content Expenses. Our technology and content expenses increased by 146.0% from RMB6.6 million in 2012 to RMB16.1 million in 2013. This increase was primarily due to the increase in the headcount of our technology employees to execute our technology-related strategies of improving our technology platform. The increase was also due to an increase in share-based compensation expenses from RMB0.2 million in 2012 to RMB1.6 million in 2013.

General and Administrative Expenses. Our general and administrative expenses increased by 14.0% from RMB33.5 million in 2012 to RMB38.2 million in 2013. This increase was primarily due to an increase in employee benefits, resulting from an increase in headcount of general and administrative employees and an increase in the salary level. The increase was also due to an increase in professional and consulting fee resulting from professional services provided for upgrading and integrating our internal management system.

Interest Income

Our interest income increased from RMB0.1 million in 2012 to RMB4.6 million in 2013. This increase was primarily due to the larger average cash balance we held in 2013, which was attributable primarily to the proceeds from our issuance of ordinary shares received in December 2012 as well as the increase in cash flow from operating activities.

Interest Expense

Our interest expense decreased from RMB3.3 million in 2012 to RMB0.7 million in 2013. This decrease was primarily due to the decrease in the outstanding balance of our short-term loans.

Net Loss

As a result of the foregoing, our net loss decreased by 20.0% from RMB47.2 million in 2012 to RMB37.8 million in 2013.

Net Loss Attributable to Ordinary Shareholders

Our net loss attributable to ordinary shareholders increased by 45.6% from RMB68.1 million in 2012 to RMB99.2 million in 2013.

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Selected Quarterly Results of Operations

The following table presents our unaudited consolidated results of operations for the three-month periods ended on the dates indicated. You should read the following table in conjunction with our audited consolidated financial statements and related notes included elsewhere in this prospectus. We have prepared the unaudited consolidated quarterly financial information on the same basis as our audited consolidated financial statements. This unaudited consolidated financial information includes all adjustments, consisting only of normal and recurring adjustments, that we consider necessary for a fair representation of our financial position and operating results for the quarters presented.

	For the Three Months Ended,							
	June 30, 2013 RMB	September 30, 2013 RMB	December 31, 2013 RMB	March 31, 2014 RMB	June 30, 2014 RMB	September 30, 2014 RMB	December 31, 2014 RMB	March 31, 2015 RMB
	(in thousands and unaudited)							
Net revenues								
Product sales	341,899	426,007	344,819	197,747	175,425	283,552	530,438	353,653
Services	50,597	58,933	99,528	70,731	85,923	88,620	151,984	123,546
Total net revenues	392,496	484,940	444,347	268,478	261,348	372,172	682,422	477,199
Operating expenses(1)								
Cost of products	(336,874)	(433,722)	(320,404)	(182,593)	(153,461)	(260,173)	(489,906)	(322,929)
Fulfillment	(24,512)	(25,914)	(46,387)	(29,295)	(31,599)	(35,709)	(71,527)	(52,149)
Sales and marketing	(31,763)	(34,673)	(57,483)	(35,167)	(51,513)	(54,208)	(86,064)	(73,888)
Technology and content	(2,638)	(3,576)	(8,101)	(8,073)	(9,796)	(33,557)	(12,181)	(12,607)
General and administrative	(8,535)	(8,063)	(14,342)	(12,141)	(11,084)	(60,896)	(12,790)	(12,402)
Other operating income (expenses), net	(268)	(316)	327	(190)	83	(162)	726	474
Total operating expenses	(404,590)	(506,264)	(446,390)	(267,459)	(257,370)	(444,705)	(671,742)	(474,449)
Income (loss) from operations	(12,094)	(21,324)	(2,043)	1,019	3,978	(72,533)	10,680	2,750
Other income (expenses)								
Interest income	1,453	1,427	1,075	1,053	981	713	409	575
Interest expenses	(18)	(11)	(280)			(75)	(1,477)	
Exchange gain (loss)				(1)	8	33	(2,690)	(505)
Income (loss) before income tax and share of loss in equity method investment	(10,659)	(19,908)	(1,248)	2,071	4,967	(71,862)	6,922	2,820
Income tax benefit (expenses)			(307)	(308)	(542)	(528)	(534)	986
Income (loss) before share of loss in equity method investment	(10,659)	(19,908)	(1,555)	1,763	4,425	(72,390)	6,388	3,806
Share of loss in equity method investment								(1,824)
Net income (loss)	(10,659)	(19,908)	(1,555)	1,763	4,425	(72,390)	6,388	1,982

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

	For the Three Months Ended,							
	June 30, 2013 RMB	September 30, 2013 RMB	December 31, 2013 RMB	March 31, 2014 RMB	June 30, 2014 RMB	September 30, 2014 RMB	December 31, 2014 RMB	March 31, 2015 RMB

	(in thousands and unaudited)							
Fulfillment	7	52	518	69	56	113	222	345
Sales and marketing	80	790	4,872	950	869	1,335	2,315	2,808
Technology and content	12	193	1,392	207	187	25,380	537	968
General and administrative	486	272	2,690	360	340	51,292	730	1,541
	585	1,307	9,473	1,587	1,452	78,120	3,804	5,662

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The following table presents our total GMV for the three-month periods ended on the dates indicated.

	For the Three Months Ended,							
	June 30, 2013 RMB	September 30, 2013 RMB	December 31, 2013 RMB	March 31, 2014 RMB	June 30, 2014 RMB	September 30, 2014 RMB	December 31, 2014 RMB	March 31, 2015 RMB
	(in millions)							
Total GMV(1)	611	751	915	574	659	832	2,184	1,157

(1) GMV is defined as (i) the full value of all purchases transacted and settled on stores operated by us (including our Maikefeng platform but excluding stores for the operations of which we only charge fixed fees) and (ii) the full value of purchases for which customers 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.

We have experienced and expect to continue to experience seasonal fluctuations in our operating results. In general, our results of operations have been seasonal primarily because consumers increase their purchases during particular promotional events, such as Singles Day in the fourth quarter. The seasonal buying patterns within certain categories such as apparel have also impacted our quarterly performances. Furthermore, we generally experience a lower level of sales activity in the first quarter due to the Chinese New Year holiday season, during which consumers generally spend less time shopping online and businesses in China are generally closed. Due to our limited operating history, the seasonal trends that we have experienced in the past may not apply to, or be indicative of, our future operating results.

Our quarterly performances are also affected by other factors, such as adjustment of product mix, launch of new products, and increased marketing efforts in certain online stores that we operate during specific periods. For example, our net revenues generated from product sales decreased from RMB426.0 million in the quarter ended September 30, 2013 to RMB344.8 million in the quarter ended December 31, 2013 and further to RMB283.6 million in the quarter ended September 30, 2014, primarily because we decreased the sales of personal computer products in the electronics category resulting from our adjustment in the mix of products for higher markups.

We generated a net loss of RMB72.4 million in the quarter ended September 30, 2014, compared to a net income of RMB4.4 million in the quarter ended June 30, 2014. The decrease in net income was primarily due to share-based compensation expenses of RMB78.1 million that we incurred in the quarter ended September 30, 2014, compared to RMB1.5 million in the previous quarter.

Liquidity and Capital Resources

Cash Flows and Working Capital

We have financed our operations primarily through proceeds from private placements and short-term bank borrowings. As of March 31, 2015, we had RMB175.8 million (US$28.4 million) in cash and cash equivalents and RMB31.0 million (US$5.0 million) in restricted cash. Our cash and cash equivalents generally consist of bank deposits. As of March 31, 2015, we had one-year credit facilities for an aggregate amount of RMB330.0 million (US$53.2 million) from four Chinese commercial banks. We had RMB35.0 million (US$5.6 million) outstanding under these credit facilities as of March 31, 2015. As of March 31, 2015, we pledged cash of RMB29.4 million (US$4.74 million) to banks to secure RMB-denominated letters of guarantee issued to our suppliers by these banks for an aggregate maximum of RMB40.0 million (US$6.5 million) and U.S. dollar-denominated letters of guarantee for an aggregate maximum amount of US$0.2 million. The terms of these letters of guarantee were within 12 to 18 months.

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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, assuming we receive no proceeds from this offering. We will use the net proceeds from this offering to expand our business operations as disclosed under Use of Proceeds. 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 receivables mainly represent amounts due from customers and are recorded net of allowance for doubtful accounts. We generally grant a credit period of no more than two weeks to the customers of our products. We normally charge service fees from our brand partners with a credit period of one month to four months. As of December 31, 2012, 2013, 2014 and March 31, 2015, our accounts receivables amounted to RMB57.4 million, RMB106.5 million, RMB229.5 million (US$37.0 million) and RMB271.3 million (US$43.8 million), respectively. The increase in accounts receivables over these periods was due to the increase in our product sales and service volumes. Our accounts receivables turnover days were 17 days in 2012, 20 days in 2013, 39 days in 2014 and 47 days in the three months ended March 31, 2015. The increase in the turnover days from 2012 to 2014 was due to the increase in revenues generated from services which have a longer credit period than product sales. The increase in the turnover days in the three months ended March 31, 2015 was due to the increase in the amount of accounts receivable as of March 31, 2015, which was caused by an extension we gave to one of our brand partners on the payment of their outstanding accounts receivable at March 31, 2015. We expect that all of the accounts receivable in the amount of approximately RMB78.5 million (US$12.7 million) from this brand partner at March 31, 2015 will be settled by the end of June 30, 2015. Accounts receivables turnover days for a given period are equal to the average accounts receivables 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.

Our inventories have increased significantly in recent periods, from RMB72.4 million as of December 31, 2012 to RMB133.3 million as of December 31, 2013 and to RMB243.0 million (US$39.2 million) as of December 31, 2014, but decreased to RMB197.6 as of March 31, 2015. Our inventory turnover days were 30 days in 2012, 31 days in 2013, 63 days in 2014 and 61 days in the three months ended March 31, 2015. The increase in our inventories from December 31, 2012 to December 31, 2014 reflected the additional inventory required to support our substantially expanded sales volumes. Although our inventories decreased from December 31, 2014 to March 31, 2015, the decrease was due to a drop from our typically higher level of inventories during the fourth quarter of the calendar year as suppliers offer better procurement terms towards the end of the year. Our inventory turnover days increased from December 31, 2012 to December 31, 2014 because of changes in our product mix and our higher level of product purchases based on preferential procurement terms. The slight decrease in our inventory turnover days from December 31, 2014 to March 31, 2015 reflected minor fluctuations in inventory turnover days typical in the ordinary course of our business. 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.

Our accounts payable include accounts payable for payments in connection with inventory that we purchased and products sold under the service fee model and consignment model for which we are responsible for payment collection. As of December 31, 2012, 2013, 2014 and March 31, 2014, our accounts payable amounted to RMB57.0 million, RMB173.8 million, RMB300.0 million (US$48.4 million) and RMB294.9 million (US$47.6 million), respectively. The increase in accounts payable from December 31, 2012 to December 31, 2014 reflected a significant growth in our product sales volumes and scale of operations. The slight decrease in our accounts payable from December 31, 2014 to March 31, 2015 reflected minor fluctuations in our accounts payable typical in the ordinary course of our business. Our accounts payable turnover days were 16 days in 2012, 34 days in 2013, 80 days in 2014 and 83 days in the three months ended March 31, 2015. The increase in the turnover days over these periods was mainly due to longer credit periods from our suppliers and

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brand partners as a result of, among others, the increase in our order volumes. 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.

Although we consolidate the results of our consolidated VIE, we only have access to cash balances or future earnings of our consolidated VIE through our contractual arrangements with it. See Corporate History and Structure. 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 subsidiary in China only through loans or capital contributions, subject to the approval of 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 subsidiary in China may provide Renminbi funding to their respective subsidiaries through capital contributions and entrusted loans, and to our consolidated VIE only through entrusted loans. See Risk Factors Risks Related to Our Corporate Structure 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 this offering to make loans or additional capital contributions to our wholly owned subsidiary, Shanghai Baozun.

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 and our consolidated VIE in China may purchase foreign exchange for the payment of license, content or other royalty fees and expenses to offshore licensors, for example.

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 the consolidated VIE, as well as dividends it receives from its own 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,				For the Three Months Ended March 31,		
	2012	2013	2014		2014	2015	
	RMB	RMB	RMB	US$	RMB	RMB	US$
	(in thousands)						
Net cash used in operating activities	(31,923)	(3,290)	(66,488)	(10,721)	(29,556)	(8,434)	(1,362)
Net cash used in investing activities	(10,225)	(63,481)	(30,545)	(4,928)	(8,959)	(17,442)	(2,813)
Net cash provided by (used in) financing activities	299,953	(48,774)	151,104	24,376		(4,152)	(670)
Net increase (decrease) in cash and cash equivalents	257,805	(115,545)	54,070	8,727	(38,515)	(30,028)	(4,845)
Cash and cash equivalents, beginning of year	11,958	270,077	154,156	24,868	154,156	206,391	33,294
Effect of exchange rate changes	314	(376)	(1,836)	(301)	121	(555)	(88)
Cash and cash equivalents, end of year	270,077	154,156	206,391	33,294	115,762	175,808	28,361

Operating Activities

Net cash used in operating activities in the three months ended March 31, 2015 was RMB8.4 million (US$1.3 million) and primarily consisted of net income of RMB2.0 million (US$0.3 million), as adjusted for non-cash items and the effects of changes in operating assets and liabilities. Adjustment for non-cash items primarily included RMB5.7 million (US$0.9 million) of share-based compensation expenses, RMB4.9 million (US$0.8 million) of depreciation and amortization expenses and RMB4.0 million (US$ 0.6 million) of inventory write-down. In the three months ended March 31, 2015, the principal items accounting for the changes in operating assets and liabilities were an increase in accounts receivable of RMB42.1 million (US$6.8 million), a decrease in note payable of RMB13.8 million (US$2.2 million), an increase of advances to suppliers of RMB12.7 million (US2.1 million) and a decrease in accrued expenses and other current liabilities of RMB10.4 million (US1.7 million), partially offset by a decrease of inventories of RMB41.4 million (US$6.7 million) and a decrease in prepayments and other current assets of RMB17.2 million (US$2.8 million). The increase in accounts receivable was due to an increase in service fees due from our brand partners as a result of an increase in our sales on Singles Day in the fourth quarter in 2014. Note payable decreased because we had settled the note that we had issued to finance our increased inventories for Singles Day. The increase in advances to suppliers was due to an increase in inventory procurement for our Maikefeng business. Accrued expenses and other current liabilities decreased primarily because we had settled our liabilities in relation to logistical expenses. The decrease in inventories was due to our increased product sales. The decrease in prepayments and other current assets was due to (i) a decrease in VAT recoverable as our product sales increased and we utilized VAT recoverable; and (ii) a decrease in receivables from third-party payment process agencies as a result of a shorter average settlement period with them.

Net cash used in operating activities in 2014 was RMB66.5 million (US$10.7 million) and primarily consisted of net loss of RMB59.8 million (US$9.6 million), as adjusted for non-cash items and the effects of changes in operating assets and liabilities. Adjustments for non-cash items primarily included RMB85.0 million (US$13.7 million) of share-based compensation expenses, RMB13.3 million (US$2.1 million) of depreciation and amortization expenses and RMB12.5 million (US$2.0 million) of inventory write-down. In 2014, the principal items accounting for the changes in operating assets and liabilities were an increase in accounts payable of RMB126.6 million (US$20.4 million), an increase in accrued expenses and other current liabilities of RMB16.0 million (US$2.6 million) and an increase in note payable of RMB17.0 million (US$2.7 million), partially offset by an increase in accounts receivable of RMB123.5 million (US$19.9 million), an increase in inventories of RMB122.1 million (US$19.9 million), an increase in prepayments and other current assets of RMB16.9 million (US$2.7 million) and an increase in advances to suppliers of RMB10.7 million (US$1.7 million). Our accounts payable increased because we extended payment dates of certain payables from 2013 to 2014 to better use our cash. The increase in our inventories was due to the growth of our business and the purchase of more products to prepare for the expected stronger promotional sales on Singles Day in 2014. The increase in our accounts receivable was due to the increase in revenues generated from services which have a longer credit period, compared with revenues generated from product sales. Advances to suppliers increased because we purchased more products to prepare for the expected stronger sales during the Singles Day promotion in 2014.

Net cash used in operating activities in 2013 was RMB3.3 million and primarily consisted of net loss of RMB37.8 million, as adjusted for non-cash items and the effects of changes in operating assets and liabilities. Adjustments for non-cash item primarily included RMB11.5 million of share-based compensation expense, RMB12.0 million of write-down of inventories and RMB7.2 million of depreciation and amortization expenses. In 2013, the principal items accounting for the changes in operating assets and liabilities were an increase in accounts payable of RMB116.8 million and an increase in accrued expenses and other current liabilities of RMB24.2 million, partially offset by an increase in inventories of RMB72.9 million and an increase in accounts receivable of RMB51.1 million. The increases in our accounts payable and accounts receivable were due to the growth of our business. The increase in our inventories was due to the growth of our business and our expansion into certain general merchandise product categories with lower inventory turnover rates.

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Net cash used in operating activities in 2012 was RMB31.9 million and primarily consisted of net loss of RMB47.2 million, as adjusted for non-cash items and the effects of changes in operating assets and liabilities. In 2012, the principal items accounting for the changes in operating assets and liabilities were an increase in accounts payable of RMB42.6 million, partially offset by an increase in accounts receivable of RMB23.1 million, an increase in inventories of RMB19.0 million and an increase in amounts due from a related party of RMB16.7 million. The increases in our accounts payable and accounts receivable were due to the growth of our business. The increase in amounts due from a related party was due to the promotion service rendered to Alibaba Group in 2012 and the increase in our deposit with Tmall as we operated more stores on the Tmall platform. The increase in our inventories was due to the growth of our business and our expansion into certain general merchandise product categories with lower inventory turnover rates.

Investing Activities

Net cash used in investing activities in the three months ended March 31, 2015 was RMB17.4 million (US$2.8 million), primarily for the investment in affiliates, including Automoney, and for our purchases of property and equipment, which comprised equipment for warehouses, computer for newly hired employees and leasehold improvement, partially offset by a decrease in restricted cash due to our settlement of note payable.

Net cash used in investing activities was approximately RMB30.5 million (US$4.9 million) in 2014, primarily for purchase of property and equipment, which comprised equipment for warehouse, computer for newly hired employees and leasehold improvement, and addition of intangible assets due to cost incurred for internal development of software.

Net cash used in investing activities was approximately RMB63.5 million in 2013, consisting primarily of an increase in restricted cash, which includes cash pledged to banks to secure the letters of guarantee issued by banks to obtain credit terms for purchase of products, and purchases of property and equipment, which comprised equipment for warehouse, computer for newly hired employees and leasehold improvement. As of December 31, 2013, we pledged cash of RMB36.0 million to banks to secure letters of guarantee issued to our suppliers by these banks for an aggregate maximum amount of RMB36.0 million, all of which were issued. The terms of these letters of guarantee were within 3 to 18 months.

Net cash used in investing activities was approximately RMB10.2 million in 2012, for purchase of property and equipment, which comprised equipment for warehouse, computer for newly hired employees and leasehold improvement, and addition of intangible assets due to cost incurred for internal development of software.

Financing Activities

Net cash used in financing activities in the three months ended March 31, 2015 was RMB4.2 million (RMB0.7 million), primarily attributable to payment of initial public offering costs.

Net cash provided by financing activities was RMB151.1 million (US$24.4 million) in 2014, primarily due to proceeds from short-term borrowings of RMB160.0 million (US$25.8 million), proceeds from the issuance of convertible redeemable preferred shares of RMB145.7 million (US$23.5 million) and proceeds from amounts due to investors related to the reorganization in January 2014 of RMB68.9 million (US$11.1 million), partially offset by repayments of short-term borrowings of RMB160.0 million (US$25.8 million) and repayment of amounts due to investors related to the reorganization in January 2014 of RMB61.5 million (US$9.9 million).

Net cash used in financing activities was RMB48.8 million in 2013, primarily due to the repayment of short-term bank loans of RMB104.3 million and the repayment of amounts due to related parties of RMB12.0 million. These amounts were partially offset by proceeds from short-term bank loans of RMB55.5 million and proceeds from issuance of convertible redeemable preferred shares of RMB12.0 million.

Net cash provided by financing activities was RMB300.0 million in 2012, primarily due to proceeds from issuance of Series C1 convertible redeemable preferred shares of RMB254.2 million (US$41.4 million), proceeds from short-term bank loans of RMB96.5 million (US$15.7 million) and proceeds from amounts due to related parties of RMB12.0 million (US$2.0 million). These amounts were partially offset by the repayment of short-term bank loans of RMB62.8 million (US$10.2 million).

Capital Expenditures

We had capital expenditures of RMB10.4 million, RMB21.9 million, RMB29.1 million (US$4.7 million) and RMB10.2 million (US$1.6 million) for 2012, 2013, 2014 and the three months ended March 31, 2015, respectively. Our capital expenditures were used primarily for (i) the purchase of computer hardware, office furniture and equipment and warehouse equipment, (ii) leasehold improvements, and (iii) cost incurred for internal development of software. Actual future capital expenditures may differ from the amounts indicated above.

Our capital expenditures currently in progress are used primarily for the development of our internal software system for customer management and retail operations in order to meet our brand partners requirements. We rely on our internal sources in financing these capital expenditures, and currently have no capital commitment.

Contractual Obligations

The following table sets forth our operating lease obligations as of March 31, 2015:

	Payments Due by Period													
	Total		2015		2016		2017		2018		2019		2020 and after	
	RMB	US$	RMB	US$	RMB	US$	RMB	US$	RMB	US$	RMB	US$	RMB	US$
	(in thousands)													
Operating lease obligations	117,288	18,920	23,630	3,812	26,941	4,346	15,751	2,541	11,827	1,908	10,424	1,682	28,714	4,632

Our operating lease obligations relate to lease agreements for our corporate offices and warehouses.

Other than the obligations set forth above, we did not have any long-term debt obligations, capital lease obligations, purchase obligations or other long-term liabilities as of March 31, 2015.

Holding Company Structure

Baozun Inc. is a holding company with no material operations of its own. We conduct our operations primarily through our subsidiaries and consolidated 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 subsidiary in China is permitted to pay dividends to us only out of its retained earnings, if any, as determined in accordance with its 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 its 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 March 31, 2015, the amount restricted, including paid-in capital and statutory reserve funds, was RMB61.2 million. Our PRC subsidiaries have never paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

We launched Maikefeng platform in March 2014 and currently operate this platform through our VIE, Shanghai Zunyi, which contributed 1.3% and 4.2% of our net revenues in 2014 and the three months ended March 31, 2015, respectively.

Off-Balance Sheet Arrangements

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

Quantitative and Qualitative Disclosure about Market Risk

Foreign Exchange Risk

Substantially all of our revenues and expenses are denominated in Renminbi. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge exposure to such risk. Although in general our exposure to foreign exchange risks should be limited, the value of your investment in our ADSs will be affected by the exchange rate between the U.S. dollar and the Renminbi because the value of our business is effectively denominated in Renminbi, while our ADSs will be traded in U.S. dollars.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People s Bank of China. The PRC government allowed the Renminbi to appreciate by more than 20% against the U.S. dollar between July 2005 and July 2008. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the PRC government has allowed the Renminbi to appreciate slowly against the U.S. dollar again, and it has appreciated more than 10% since June 2010. 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 this offering into Renminbi for our operations, 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.

As of March 31, 2015, we had RMB-denominated cash and cash equivalents and restricted cash of RMB174.5 million (US$28.1 million). Assuming we had converted RMB174.5 million into U.S. dollars at the exchange rate of RMB6.1990 for US$1.00 as of March 31, 2015, our U.S. dollar cash balance converted from our RMB-denominated cash and cash equivalents and restricted cash would have been US$28.1 million. If the RMB had depreciated by 10% against the U.S. dollar, our U.S. dollar cash balance would have been US$25.3 million instead.

Interest Rate Risk

Our exposure to interest rate risk primarily relates to interest expenses incurred by our short-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 2012, 2013 and 2014 was 2.6%, 2.6% and 2.0%, 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, 2012, 2013 and 2014 and March 31, 2015, substantially all of our cash and cash equivalents and restricted cash were held by major financial institutions located in the PRC and Hong Kong. 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 pay for our product sales through a network of third-party payment service providers. We have not experienced any significant bad debts with respect to our accounts receivable, and made allowance for doubtful accounts of RMB0.5 million, RMB1.9 million, RMB0.4 million (US$0.1 million) and RMB0.7 million (US$0.1 million) as of December 31, 2012, 2013 and 2014 and March 31, 2015, respectively.

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INDUSTRY

China s E-Commerce Industry

Rapid Growth of the E-Commerce Industry

China s online retail market has experienced rapid growth over the past five years. According to the iResearch Report, GMV from China s online retail market increased from RMB461 billion (US$74 billion) in 2010 to RMB2,760 billion (US$445 billion) in 2014, representing a CAGR of 56.4%, and is expected to reach RMB5,634 billion (US$909 billion) in 2017 at a CAGR of 26.9%. Despite the significant historical growth, China s online shopping penetration rate, defined as size of the online retail market as a percentage of total retail sales of consumer goods, was only 8.0% in 2013. Consumption is expected to shift from offline to online, and online shopping penetration rate is expected to increase to 15.7% by the end of 2017, according to the iResearch Report.

Online shopping market size in China
(in billions of RMB)

Source: iResearch Report

Online shopping penetration in China
(Online retail market size as % of total retail sales of consumer goods)

Source: iResearch Report

Increase in Market Share of B2C E-Commerce

B2C e-commerce plays an increasingly important role in the e-commerce industry in China. As the online retail market matures and online shoppers become increasingly sophisticated, B2C e-commerce will be a more prevalent mode of e-commerce in China than consumer-to-consumer, or C2C, e-commerce. According to the iResearch Report, the B2C e-commerce market in China is expected to reach RMB1.3 trillion (US$209 billion) in 2014, accounting for 48.0% of the total online retail market in China. The B2C e-commerce market in China is expected to grow further at a CAGR of 37.0% and constitute more than 60% of the overall online retail market in China by 2017.

China online retail market (B2C and C2C)
(% of total online retail market size)

Source: iResearch Report

China B2C market size
(in billions of RMB)

Source: iResearch Report

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Growth in Mobile Commerce

Mobile commerce has experienced and is expected to continue to experience rapid growth in China. With the proliferation of affordable smartphone and tablet devices and advancement in wireless technology and infrastructure in China, consumers are able to shop conveniently using their mobile devices. Mobile commerce has become an increasingly important driver for e-commerce in China. According to the iResearch Report, GMV derived from mobile shopping is expected to reach RMB828 billion (US$134 billion) in 2014, representing an increase of 202.2% over the corresponding figure in 2013. Mobile commerce penetration, defined as the size of the mobile commerce market as a percentage of the total online retail market is expected to reach 30.0% in 2014 and further increase to 56.9% by 2017.

Key Drivers for China s E-Commerce Industry

The growth in China s online retail market is primarily driven by the following trends:

Rising Spending Power of Chinese Consumers

Benefiting from rising real income level of Chinese consumers and declining household savings rate, China s total retail sales of consumer goods are expected to reach RMB26.6 trillion (US$4.3 trillion) in 2014 and further grow at a CAGR of 10.5% from 2014 to 2017, according to the iResearch Report. According to the National Bureau of Statistics of China, total retail sales of consumer goods was 41.2% of China s total GDP in 2014. This rate was significantly lower than that in other developed countries such as the United States, in which consumer expenditure as a percentage of GDP was 67.2% in 2014, according to Euromonitor International. We believe that the growth in consumption in China will continue to drive high levels of online and mobile commerce.

Growth of Internet Population and Penetration in China

According to the China Internet Network Information Center, as of December 31, 2013, China had 618 million internet users, 302 million of which shopped online during the year, making China the world s largest internet population. We believe that, driven by the continued growth in the number of internet users as well as the higher percentage of internet users making purchases online, the number of online shoppers will increase.

Challenges in Traditional Retail

Underdeveloped offline retail infrastructure. China s offline retail infrastructure has remained underdeveloped. Estimated per capita retail space in China in 2014 was 0.6 square meter, which was significantly lower than 2.6 square meters in the United States, according to Euromonitor International. As such, the breadth of product offerings and brand selection in China is often restricted by the limited retail space, particularly in smaller cities. In addition, product quality and safety present major concerns for Chinese consumers across a wide variety of product categories. Online shopping, on the other hand, generally offers consumers convenience, price transparency and a wide range of production selection.

In particular, B2C e-commerce attracts Chinese consumers with brand value and product authenticity.

Highly fragmented retail landscape. The retail landscape in China is highly fragmented. According to Euromonitor International, the top 20 retailers in China had a combined market share of approximately 13.2% in 2014, as compared with approximately 41.1% in the United States in the same period. The fragmented retail landscape in China present challenges for leading brands to gain significant nationwide market share offline and effectively execute brand strategies across channels. Against this background, leading B2C platforms, such as Tmall, allow brands to distinguish their brand image and build brand awareness online by targeting over 300 million online shoppers across China.

Opportunities and Challenges in Brand E-Commerce

Brand e-commerce occupies a unique segment among different modes of B2C e-commerce. The diagram below illustrates the different modes of B2C e-commerce, including brand e-commerce:

Source: iResearch

Note: Excludes Tao brands, which are Chinese brands dedicated to online marketplaces

For brands, B2C e-commerce can be conducted through online stores operated by brands offline distributors, independent direct sales platforms, such as JD.com (excluding its third-party marketplace business), official marketplace stores and official brand stores. Brand e-commerce encompasses official brand stores and official marketplace stores.

Brand e-commerce differentiates itself from other modes of B2C e-commerce as it enables the online stores to be operated with the brands unique brand image, look and feel and allows the brands to control their own branding and merchandising. As e-commerce has become more popular in China, global brands increasingly view e-commerce as an important part of their China expansion strategy, and brands increasingly elect e-commerce as their key distribution channel in China.

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Opportunities for Brand E-Commerce

Brand e-commerce has experienced and is expected to continue to experience a higher growth rate compared to the overall B2C e-commerce market in China. According to the iResearch Report, China s brand e-commerce market is expected to increase from RMB22 billion (US$4 billion) in 2010 to RMB800 billion (US$129 billion) in 2014, representing a CAGR of 145.7%. It is expected to further reach RMB2,352 billion (US$379 billion) in 2017, at a CAGR of 43.3%.

China brand e-commerce as % of B2C
(% of B2C e-commerce market size)

Source: iResearch Report

China brand e-commerce market size
(in billions of RMB)

Source: iResearch Report

Note: (1) Include independent direct sales platforms, online stores of offline distributors and Tao brands

As brand e-commerce continues to grow, a rising number of brands are looking to build their e-commerce presence across multiple channels and provide a seamless and integrated consumer experience across channels. While Tmall has generally been the major marketplace platform for setting up online stores, brands have also been expanding to more online channels, such as their own official brand stores and other online marketplaces, such as JD.com. Mobile platforms have also been a strategic focus through which brands seek to reach consumers via mobile shopping apps and social media platforms such as Weixin stores. In addition, O2O strategies have become popular among brands aiming to integrate consumers online and offline experience. Such omni-channel strategies require brands to develop an in-depth understanding of PRC consumers and as such, consumer data analysis has become increasingly significant to brands.

Challenges to Brands

While international and domestic brands are increasingly focusing on the growth opportunities in brand e-commerce in China, they also face challenges arising from the complexity in distribution channel selection, consumer demands, merchandising, online store operations, technology infrastructure and fulfillment. Common challenges faced by brands in China, particularly international brands with limited experience and resources in the PRC retail market, include:

- large geographical area with highly localized consumer preferences;
- distribution channel selection and coverage;
- need for multiple consumer touch points and rapidly evolving mobile devices;
- lack of transparency and control;

online store operations and marketing strategies;

highly fragmented and underdeveloped fulfillment infrastructure; and

high initial costs to set up local e-commerce facility and team.

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Emergence of Brand E-Commerce Solution Providers

As the e-commerce market in China grows in complexity and more channels emerge, brands look to solutions providers with local knowledge and industry expertise to execute and integrate e-commerce strategies for them without the investment associated with establishing and maintaining local infrastructure and capabilities on their own. Major service offerings by brand e-commerce solutions providers include IT service, store operations, digital marketing, customer service, warehouse and fulfillment, among others. According to the iResearch Report, demands from international brands contribute to approximately 30-40% of the overall brand e-commerce solution market in China. Such percentage could be as high as approximately 70% in certain categories such as apparel. Increasing demands from international brands entering and expanding in China is expected to be a major driver of the e-commerce solution provider market.

Value Proposition of End-to-End Brand E-Commerce Solution Providers

While the majority of e-commerce solution providers focus on one or a few of the services mentioned above, end-to-end brand e-commerce solution providers are unique in their comprehensive capability to offer one-stop solutions for brands looking to execute their e-commerce strategy in China. Specifically, end-to-end brand e-commerce solution providers unique value prepositions include:

- in-depth understanding of industry vertical expertise and brand partners needs;
- higher level of control for brands through integrated collaboration between brands and end-to-end e-commerce solution providers on every step of e-commerce strategy and operation;
- technology infrastructure for back-end system integration;
- ability to collect, centralize and analyze consumer data of the full transaction cycle from browsing, purchase, order processing to fulfillment;
- cost advantages from vertically integrated services; and
- overall simplification of e-commerce operations for brands.

Competitive Landscape in the China s Brand E-Commerce Solutions Market

China s brand e-commerce solutions market is highly fragmented with thousands of industry participants. According to the iResearch Report, Baozun is the largest player in the brand e-commerce solutions market in China based on transaction value in 2014. Baozun s transaction value was RMB5.2 billion (US$0.8 billion) in 2014, which exceeds four times the transaction value of the second largest player according to the iResearch Report. As the market leaders continue to leverage their comprehensive service offerings tailored for brands specific needs, deep industry vertical expertise and data analysis capabilities, market leaders are expected to further consolidate their market share.

The brand e-commerce solutions market in China is still in its emerging stage of development. It is expected to ride on the strong growth in China s brand e-commerce sector and further increase market penetration. According to the iResearch Report, the market size of the brand e-commerce solutions market in China based on transaction value is expected to grow from over RMB26 billion (US$4 billion) in 2014 to close to RMB100 billion (US$16 billion) in 2017, representing a CAGR of 56.7%.

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BUSINESS

Overview

We are the leading brand e-commerce solutions provider in China, with a market share of approximately 20% as measured by transaction value in 2014, according to the iResearch Report. Our integrated brand e-commerce capabilities encompass all aspects of the e-commerce value chain covering IT solutions, store operations, digital marketing, customer services, warehousing and fulfillment. We help brand partners execute their e-commerce strategies in China by selling their goods directly to customers online or by providing services to assist with their e-commerce operations.

With e-commerce in China growing rapidly in both in scale and complexity, more global brands view e-commerce as a valuable part of their China expansion strategy, and brands look to us as a trusted partner and rely on our local knowledge and industry expertise to execute and integrate e-commerce strategies without the investment associated with establishing and maintaining local infrastructure and capabilities on their own.

The number of our brand partners grew from 56 as of December 31, 2012, to 71 as of December 31, 2013, to 93 as of December 31, 2014 and to 94 as of March 31, 2015. These brands cover diverse categories, including apparel, appliances, electronics, home, food and health, cosmetics and fast moving consumer goods, insurance and automobile. Many of our brand partners occupy leading positions in their respective industries, such as Philips, Nike, Microsoft and Haagen-Dazs. According to the iResearch Report, we are the leading brand e-commerce solutions provider in China that has penetrated into the most diversified and comprehensive range of categories.

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. Our end-to-end brand e-commerce capabilities allow us to leverage brand partners unique resources and seamlessly integrate with their back-end systems to enable data tracking and analytics for the full transaction value chain, making us a valuable part of our brand partners e-commerce functions. We help our brand partners establish market presence and launch products quickly on official brand stores and major online marketplaces in China, such as Tmall and JD.com, as well as social media platforms such as Weixin. We also help our brand partners devise and execute O2O strategies combining the strengths of their online and offline retail networks. By enabling seamless shopping experience across various channels both online and offline, we deliver omni-channel solutions to achieve optimal branding effect and sales results that are responsive to our brand partners individual e-commerce objectives.

Our store operation capabilities, logistics network and warehousing capacities are crucial to our success. We provide customizable solutions and dedicated personnel with relevant industry experience and brand-specific training in operating e-commerce stores. We partner with leading nationwide and local logistics services providers to ensure reliable and timely delivery. For example, we understand from SF Express, one of the largest express delivery services in China, that we are one of its top 10 customers in China. We are able to achieve next-day delivery in 95 cities across China. We operate five warehouses with an aggregate gross floor area of 72,800 square meters that can handle 300,000 daily orders and 400,000 daily pieces. Our warehouse management system is customized to account for variance in arrangements with brand partners and differences in product specifications, ranging from apparel, to consumer electronics, to beauty and health products.

Technology is key to our success and quick expansion. Leveraging our proprietary and scalable technology infrastructure and systems, we provide integrated e-commerce solutions that synchronize marketing campaigns, centralize management of inventory, order fulfillment and customer service, and collect and analyze real-time consumer behavior and transaction data across internet, mobile and offline channels. The scalability of our systems, built on deep vertical knowledge and modular implementation, allows us to efficiently provide customized solutions across categories and support an increasingly larger array of transactions as we add new brands, integrate new channels and accommodate peaks and surges in consumer demand.

We continue to win brands loyalty with our track record of articulating their marketing needs into workable solutions that consistently deliver tangible sales results. We collect valuable consumer behavior data through our customer relationship management system. We have also developed our Business Intelligence, or BI, software which enables real-time analysis of transaction data across online and mobile channels to make more targeted and insightful marketing recommendations to our brand partners that leverage the strengths of various channels. We believe that, as we increase our solution offerings and channels to our brand partners, launch more marketing initiatives and campaigns together and increase their sales, the stickiness of our relationships with brand partners will also grow.

We generate revenues from two revenue streams: (i) product sales and (ii) services. We generally operate e-commerce businesses for our brand partners based on one of business models: distribution model, service fee model and consignment model, or in some circumstances, a combination of the three business models. We derive product sales revenues when we sell products to customers under the distribution model. We derive services revenues under the service fee model and consignment model. For services provided, we charge our brand partners fees consisting of fixed fees and/or variable fees based on GMV or other variable factors such as number of orders fulfilled. Under the consignment model, we may facilitate brand partners online sales of products as an agent and receive commission fee calculated based on a formula pre-agreed with our brand partners. In 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, net revenues from product sales accounted for 85.9%, 83.8%, 74.9%, 73.7% and 74.1%, respectively.

Our GMV was RMB1,460.4 million, RMB2,620.8 million, RMB4,248.9 million (US$685.4 million), RMB573.7 million and RMB1,157.0 million (US$186.6 million) in 2012, 2013, 2014 and the three months ended March 31, 2014 and 2015, respectively. For the same periods, our total net revenues were RMB954.5 million, RMB1,521.8 million, RMB1,584.4 million (US$255.6 million), RMB268.5 million and RMB477.2 million (US$76.9 million), respectively. We incurred net loss of RMB47.2 million, RMB37.8 million and RMB59.8 million (US$9.6 million) in 2012, 2013 and 2014, respectively, and recorded net income of RMB1.8 million RMB2.0 million (US$0.3 million) in the three months ended March 31, 2014 and 2015, respectively. We incurred non-GAAP net loss of RMB42.7 million and RMB26.3 million in 2012 and 2013, respectively, and had non-GAAP net income of RMB25.1 million (US$4.0 million), RMB3.4 million and RMB7.6 million (US$1.2 million) in 2014 and the three months ended March 31, 2014 and 2015, respectively. See Summary Consolidated Financial and Operating Data Non-GAAP Financial Measure.

Our Strengths

We believe that the following competitive strengths contribute to our leading position in the brand e-commerce solutions market in China:

Leader in Brand e-Commerce Solutions and Trusted Partner to Global Brands. We are the leading brand e-commerce solutions provider in China, with a market share of approximately 20% as measured by transaction value in 2014, according to the iResearch Report. We are a trusted partner to 94 leading global brands as of March 31, 2015, including Philips, Nike, Microsoft and Haagen-Dazs. Our end-to-end solutions across the e-commerce value chain enable global brands to quickly and cost-effectively establish brand presence, introduce products and services to Chinese consumers and benefit from the rapidly growing e-commerce sector in China. We believe brand partners value us for our intimate knowledge of local consumer experience and industry practices, dependable and seamless services, as well as deep category expertise and market insight. We also believe that they value us for our ability to innovate, anticipate and adapt to the fast-changing e-commerce market. We continue to earn brand partners loyalty with our track record of articulating their marketing needs into workable solutions that consistently deliver visible sales results. We believe that as we increase our solution offerings and channels to our brand partners, launch more marketing initiatives and campaigns together and increase their sales, the stickiness of our relationships with brand partners will also grow.

End-to-End Brand e-Commerce Solutions with Omni-channel Capabilities. Our brand e-commerce capabilities encompass every aspect of the e-commerce value chain, from IT infrastructure setup and integration, online store design, visual merchandizing, marketing strategies and campaigns, to store operations, warehousing and fulfillment.

Our ability to provide end-to-end solutions enable us to consolidate consumer and transaction data to deliver seamless shopping experience across various channels. We partner with brands to set up and run their online stores in China, which are brands official online stores, and online stores on the major marketplaces in China, such as Tmall and JD.com, and to establish presence on the major social media platforms such as Weixin and Weibo. We also help our brand partners devise and execute O2O 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 their desired branding effect and sales results that are responsive to our brand partners individual e-commerce objectives. We believe our end-to-end, omni-channel brand e-commerce capabilities help broaden our revenue sources, maximize our value propositions to brands, and deepen brand entrenchment and loyalty.

*Proven Store Operation Capabilities and Fulfillment Infrastructure***.** We help our brand partners conduct e-commerce in China through capabilities that chaperon merchandises throughout the e-commerce life cycle.

Full Store Operation Capability and Customer Service: Our customizable capabilities, including digital asset management, site authoring and content management, merchandising and allocation, digital analytics and market operations, help us or our brand partners operate official brand stores and official marketplace stores. We provide dedicated store operations teams which are specifically assigned to and trained by our brand partners. Our store operations teams provide brand-oriented customer service to customers to facilitate product sales.

Robust Logistics Network and Warehousing Capacity: We partner with leading nationwide and local logistics services providers to ensure reliable, timely and cost-effective delivery through volume discounts and operational synergy. Our delivery tracking system is integrated with that of SF Express, one of the largest express delivery services in China. Through our logistics services providers, we are able to achieve next-day delivery in 95 cities across China. We operate five warehouses with an aggregate gross floor area of 72,800 square meters that can handle 300,000 daily orders and 400,000 daily pieces. Our warehouses are organized by product categories and our warehouses provide category-tailored services, such as tailored shelf structure, separate floor space, customized rack dimensions and value-added services such as high security and temperature control.

We believe our store operation capabilities and our logistics network and warehousing capacity are crucial to our success and will continue to help us retain brand partners.

Scalable and Reliable Proprietary Technology. Technology is key to our success and quick expansion. We have developed robust technology infrastructure and proprietary systems that can be seamlessly integrated with our brand partners back-end systems to enable automated inventory tracking, order fulfillment, billing and payment settlement, logistics management as well as consumer data tracking and analytics. The scalability of our systems, built on deep vertical knowledge and modular implementation, allows us to efficiently provide customized solutions across categories and support an increasingly larger array of transactions as we add new brands, integrate new channels and accommodate peaks and surges in consumer demand. The scalability of our technology was demonstrated by our success in handling approximately 1.1 million orders during the Singles Day promotion in 2014, compared to the daily average of 15,000 orders generated in 2014. On Singles Day in 2014, we processed over 23,000 orders within the first minute of the promotion, 122,000 orders within the first five minutes, and 204,000 orders within the first 10 minutes. We believe our proprietary technology allows us to become an integral part of our brand partners operations, quickly scale up our business and keep us at the forefront of brand e-commerce solutions.

Robust and Insightful Digital Marketing Capabilities. We derive valuable consumer data and analytics through our proprietary BI software and data mining systems which enable real-time analysis of consumer behavior and transaction data across online and mobile channels. These help us make more targeted and insightful marketing strategies for our brand partners that leverage the particular strengths of various channels for different marketing purposes such as branding campaigns and special item promotions. These also allow us to utilize and share with our brand partners a wealth of data and other analytical tools to help refine sales and

marketing strategies for brand partners. Intelligent tracking also helps us profile individual consumers and push more targeted product displays, searches and promotional campaigns, thereby lowering overall conversion costs and enhances brand loyalty and consumer stickiness. We believe our digital marketing capabilities support and supplement our marketing acumen and will continue to give us an edge in advances in marketing.

Proven and Experienced Management Team with Deep Industry Knowledge. Our co-founders and senior management team bring with them an average of over ten years of experience in retail, global brand marketing, e-commerce, technology and finance in creating end-to-end solutions that help brands succeed in e-commerce in China. We have also established a young, talented and passionate mid-level management team, who is in charge of key business functions. We believe that our cohesive, vibrant and brand-oriented corporate culture inspires and encourages innovation, and helps us attract, retain and motivate an aspiring team to drive our growth.

Our Strategies

Our goal is to be a leading global e-commerce solutions provider for brands. We plan to achieve our goal by pursuing the following key strategies:

Deepen Existing Relationships with Brands. As our brand partners continue to expand their e-commerce footprint in China, we intend to help enhance their online brand appeal and increase sales by implementing, among others, the following measures:

Maintain high performance. We strive to continuously exceed our brand partners expectations of our performance. We will continue to bring our category expertise and creative vision to refine and enhance their marketing strategies.

Expand value-added solutions. Through enhanced understanding of our brand partners and their brand image, culture and directions, we aim to leverage our suite of capabilities to introduce and sell more value-added solutions to our existing brand partners.

Become an integral part of brands growth strategy. We intend to deepen our relationship with our brand partners and understanding of their brand image, culture and corporate user in order to help them incorporate at the outset e-commerce and other technologically enabled marketing practices into their business arrangements and growth strategies. This helps ensure that we will continue to act as their trusted partner and be their first choice for executing their e-commerce strategies.

Expand and Optimize our Brand Portfolio. We intend to expand our brand partner base. Specially, we aim to:

Attract more leading global brands. We intend to capitalize on our established category expertise to attract more leading global brands, particularly those with enhanced needs for highly visible marketing campaigns and e-commerce strategies.

Capture small to medium global and regional brands with high growth potential. We intend to add smaller global and regional brands with high growth potential to our portfolio as an e-commerce platform would be a lower-cost option for them to enter into China.

Build our domestic brand base. We intend to selectively add domestic Chinese brands to our brand partner portfolio based on criteria including the prominence of their brands as household names in China, strategic value and sales and growth potential.

Focus on brands in highly profitable categories. As we track consumer trends, we will proactively identify and adjust our emphasis on brands in highly profitable product categories.

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Enhance our Fulfillment Capabilities. We will continue to commit resources to expanding our fulfillment infrastructure and improving the efficiency of our warehouse management system.

Improve our warehouse management system. We plan to further enhance the efficiency of our warehouses by improving their configuration, increasing investment in purpose-built and automated facilities. We will continue to improve our warehouse management system with enhanced functionalities that allow us to intelligently choose optimal service providers for different brands/stores based on various metrics such as locations and costs. We also plan to develop testing modules in these systems, through which we can help our brand partners evaluate the impact of replacing logistics service providers. Externally, we expect to further integrate our warehouse management system with those of our brand partners and our logistic partners on various aspects such as orders, logistics, and account reconciliation.

Expand our fulfillment infrastructure. We will continue to expand our fulfillment infrastructure to support our long-term growth by adding more warehouses in strategic locations across China to improve our nationwide fulfillment capabilities. We intend to expand the total gross floor area of our warehouses in Eastern China and establish new warehouses in Northern China and Southern China to improve our fulfillment efficiency in these regions. We plan to prioritize areas where our brand partners have a critical mass of buyers and orders in order to achieve a faster return on our investment.

Strengthen our Data Analysis Capabilities. We expect to further strengthen our data analysis capabilities within and across brand partners to facilitate our business decisions and provide our brand partners with more insight into their operations:

Within individual brand partners. We intend to continue to enhance the capabilities of our BI software to better understand consumer behavior and utilize our analysis to better serve our brand partners. For example, subject to our agreements with Tmall, we plan to utilize our Tmall transaction data in our BI software, to provide media services to our brand partners. We believe that the insight gained from enhancing our data analysis would be valuable in identifying additional opportunities to serve our brand partners, allowing us to be more entrenched in our brand partners e-commerce strategies; and

Across brand partners. As our brand partner base continues to grow, we expect to be able to generate more robust and larger data samples enabling the analysis of consumer habits across different brand partners. We plan to take advantage of the wealth of information in our database to continue to improve our data analysis capabilities.

Grow our Closeout Retail Platform, Maikefeng. We plan to expand the user base of and increase the GMV on our closeout retail platform, Maikefeng, through the following:

Enrich product offerings on Maikefeng. We plan to enrich the product offerings on Maikefeng to include more brands and product categories. We aim to introduce more existing brand partners to sell their closeout products through, and increase their product offerings on, Maikefeng. We will also continue to introduce our Maikefeng platform to new brand partners who may be specifically seeking a closeout retail platform.

Improve user experience. We plan to strengthen Maikefeng s user interface by improving the functionalities and features of our Maikefeng mobile application and mkf.com website to create a more personalized online shopping experience for customers.

Increase marketing efforts for Maikefeng. We will increase our promotional efforts for Maikefeng by engaging in various marketing strategies, including word-of-mouth marketing, social media references on platforms such as Weixin and Weibo, viral marketing, customer loyalty programs and other emerging marketing tools.

Extend our Geographical Reach in Asia. In response to our brand partners demand for our expertise to help them expand their e-commerce business in the Greater China region, we have extended our operational

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capabilities beyond mainland China. We currently provide brand partners such as Microsoft and Nike end-to-end e-commerce solutions in Hong Kong, including IT solutions, customer service and warehousing and logistics services through local staff on the ground and online store operations and digital marketing through the home team in mainland China. In October 2014, we established Taiwan Baozun Corporation, a wholly-owned subsidiary, to expand our provision of brand e-commerce solutions to Taiwan. As e-commerce grows in the Southeast Asian markets, we plan to strategically enter these markets by initially offering select services to and partnering with global brands. After we become more established in those markets, we plan to actively help introduce global and Chinese brands into these markets and replicate our success in China. In 2014, we started to provide IT solutions to a leading e-commerce platform in Indonesia.

Selectively Pursue Strategic Alliances and Acquisition Opportunities. We intend to selectively pursue strategic alliances, investments and potential acquisitions that are complementary to our business and operations, including opportunities that can help us strengthen our technology and digital marketing capabilities, expand our product and service offerings, develop in-depth collaboration with global and domestic brands in strategic markets, and enhance our mobile applications and platform. Our management will carefully evaluate strategic partnership, acquisition or investment opportunities and pursue optimal transaction structures.

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. 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 industry category, our brand partners utilize one or a combination of our solutions under one of 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 when we sell products to customers under the distribution model.

- ***Services revenues***. We derive services revenues under the service fee model and consignment model.

In 2012, 2013 and 2014 and three months ended March 31, 2014 and 2015, net revenues from product sales accounted for 85.9%, 83.8%, 74.9%, 73.7% and 74.1%, respectively, of our net revenues. Over time, we work with our brand partners under different combinations of business models to meet their evolving needs and sales objectives. 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

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market. Depending on each brand partner s specific needs and the characteristics of its category, we utilize our e-commerce capabilities to work with our brand partners under one of or a combination of our business models: the distribution model, the service fee model and the consignment model.

Distribution Model

When we provide brand e-commerce solutions to our brand partners under the distribution model, we select and purchase goods from our brand partners and/or their authorized distributors and sell goods directly to customers through official brand stores or official marketplace stores operated by us or on our Maikefeng platform. In order to generate product sales, we utilize every aspect of our e-commerce capabilities. Specifically, we utilize our IT and store operation capabilities to set up and operate online stores, including brand stores, marketplace stores or our Maikefeng platform. We utilize our warehousing and fulfillment capabilities to store and deliver goods to our customers. We utilize our customer service capability to facilitate sales and ensure our customers 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 customers, the invoices and tax receipts will typically bear our name instead of those of our brand partners.

Service Fee Model

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

- IT solutions;
- online store operation;
- digital marketing;
- customer service; and/or
- other services, such as payment collection for select brand partners.

Consignment Model

Under the consignment model, in addition to other services we may offer, we provide online store operation services and warehousing services, whereby our brand partners stock goods in our warehouses for future sales and we are responsible for delivering goods to customers. In addition to warehousing services, we may be responsible for payment collection for select brand partners. In contrast with the distribution model, however, we do not bear general inventory risk and we do not have control over price determination or merchandise selection. 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.

E-commerce and Maikefeng

End-to-end Brand E-commerce Capabilities for Brand Partners

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, visual merchandizing and marketing campaigns, store operations, 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. Depending on these specific arrangements with brand partners, we generate revenues under different business models.

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 web design and our intimate understanding of Chinese consumers online shopping habits, we help our brand partners set up effective e-commerce sites that both 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 operation 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. Our proprietary e-commerce IT platform supports a wide range of localized features, including payment and live chat, as well as mobile and new consumer touch points. 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 Capabilities.

In addition to establishing the infrastructure for system integration, our web 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.

Store Operations

We believe efficient store operations are crucial to our brand partners e-commerce business. We staff dedicated operations teams for stores operated by us. Our operations teams closely monitor and are responsible for all activities and the daily upkeep of online stores. The functions of the operations teams broadly fall into two categories: merchandising and site content 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 processing sales orders in online stores. We manage sales orders through our proprietary order management system that integrates with our other technology platforms to ensure smooth online transactions.

Our merchandising staff monitors store sales through periodic sales reports.

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Site Content Management: In addition to providing design services during the initial store setup, we also periodically update the content on stores operated by us in order to maintain the appeal of the 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.

Digital Marketing

We believe performance digital marketing is key in boosting visitor traffic to stores operated by us and increasing conversion and overall transaction volume.

Our digital marketing capabilities cover both official marketplace stores and official brand stores. In particular, we have developed an expertise in digital marketing on Tmall. Our digital marketing capabilities include (i) media services; (ii) word-of-mouth marketing; (iii) creative content; and (iv) consumer data.

Media Services: We plan advertising media for our brand partners. In planning our brand partners online advertising media, we first determine with our brand partners their most likely and desired customers. Based on that determination, we then identify with our brand partners which media platforms our brand partners intended audience is most likely to visit, and we design advertising campaigns crafted to have the most impact on the targeted audience. Our media planning capabilities enable our brand partners to strategically target the reach of their online advertising campaigns and minimize wastage and hence increase their return on investment, or ROI.

We engage in search engine optimization and marketing for our brand partners. In particular, we aim for stores operated by us to rank earlier or higher on the search results pages of a search engine so that they will receive more visitors from search engine s users. Based on our understanding of the methodologies and mechanisms adopted by search engines, we customize the content of the stores operated by us to achieve high rankings. Where appropriate, we also help our brand partners negotiate arrangements with search engines to favorably list the stores operated by us on search results pages.

Word-of-Mouth Marketing: Based on our experience, Chinese e-commerce consumers are heavily influenced by word-of-mouth, or WOM, which is information from non-commercial communicators about products, services or brands. We believe we are able to provide tremendous value to our brand partners by helping them formulate WOM strategies and campaigns that encourage consumers engagement with their brands and drive consumers desire to purchase their products.

One of the most important WOM channels is social media platforms. We identify the preferred social media platforms of our brand partners target consumers, which are generally Weixin and Weibo. We 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 dialogues with consumers who post on our brand partners accounts. We track visitors activities and analyze the impact of our WOM outreach.

In addition, we monitor and respond to online 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 facilitate their purchase decisions.

Creative Contents: We provide our brand partners with the infrastructure and expertise for producing digital content to be used on 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.

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We also employ a team of copywriting staff who produces product descriptions and related content, such as buyers guides, sizing charts, product tours and comparison shopping tools.

Consumer Data: We use the data we collect from our data warehouse and reporting system to understand consumers online shopping habits and apply these insights to create impactful marketing campaign for our brand partners. For more information about our data warehouse and reporting system, please see Technology Infrastructure and Capabilities Data Warehouse and Reporting System.

Case Study Digital Marketing

NBA China

Since 2013, we have worked closely with NBA Sports and Culture Development (Beijing) Co., Ltd., or NBA China, to broaden the reach of the NBA Global Games in China, a series of basketball games featuring NBA teams played outside of the U.S. held in October every year. Through primarily NBA China s Weixin and Weibo accounts and outreach to key online influencers, we have developed marketing campaigns for NBA China in mainland China with a variety of features, including promotional events, trivia, limited edition merchandise sales, competitions, and bundled merchandise and ticket sales. We have also provided marketing campaigns in China for NBA-branded merchandise across social media platforms, e-commerce channels, television and the internet, including via key media outlets such as Sina and CCTV.

Customer Service

Providing satisfactory pre-sale and post-sale customer services is one of our top priorities. We believe in the importance of real-time customer assistance. Customers can contact us through real-time online chat, phone calls or emails. Pre-sale questions relating to product details comprise most of the questions we receive from customers, and we believe that a great pre-sale customer service experience could encourage customers purchases. Customers can access our online representatives and service hotlines 9 a.m. to 10 p.m. daily (except three days per year during the Chinese New Year holiday).

We assign our brand partners dedicated brand customer service teams who have undergone full basic customer service training, initial and periodic examinations and targeted coaching sessions.

Warehousing and Fulfillment

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 customers of online stores. We adopt a flexible logistics model supported by our robust and advanced warehouse management system. We partner with leading nationwide and quality logistics services providers to ensure reliable and timely delivery to over 500 cities across China through their network. The following flowchart illustrates our warehousing and fulfillment process:

We operate five warehouses with an aggregate gross floor area of approximately 72,800 sq.m. in Suzhou, Jiangsu province, and Hong Kong. Our warehouses cater to different product categories. We provide value-added services to our brand partners, such as anti-counterfeit code protection and tailor-made packaging. In addition, we also store goods in three other warehouses operated by third parties. With our proprietary warehouse management systems, we are able to closely monitor each step of the fulfillment process from the time a purchase order is confirmed and the product stocked in our warehouses, up to when the product is packaged and picked up by a logistics services provider for delivery to a customer. Shipments from suppliers first arrive at our warehouses. At each warehouse, inventory is bar-coded and tracked through our warehouse management system, allowing real-time monitoring of inventory levels across our network. Our warehouse management system is specifically designed to support a large volume of inventory turnover. Our warehouses fulfilled approximately 1.5 million, 3.0 million, 5.0 million and 5.9 million orders in 2012, 2013, 2014 and the 12 months ended March 31, 2015, respectively. As of March 31, 2015, our warehouse management processing system was capable of processing 100,000 inbound pieces and 300,000 outbound orders per day. On Singles Day in 2014, our warehouse management processing system processed over 202,000 orders, showcasing our ability to support an enormous flow of transaction and order traffic. We closely monitor the speed and service quality of the logistics services providers through consumer surveys and feedbacks from consumers to ensure their satisfaction.

Maikefeng

To extend our product and service offerings to cover the entire product cycle, we began operation of Maikefeng, our closeout retail online platform, in March 2014, which has grown significantly since then. We offer authentic, quality products at steeply discounted prices to consumers on our Maikefeng mobile application and mkf.com website.

Our strong merchandizing expertise enables us to select the brand composition and product mix of our sales on Maikefeng that appeal to our customers. We carefully select prospective brands for our Maikefeng platform, and target to work with those that are well-known and offer high quality or premium products that are popular among consumers in China, and those are willing to provide competitive prices and favorable payment credit and product return terms. We believe that our Maikefeng platform helps our brand partners sell out-of-season inventory, generate more sales and acquire additional traffic, which will help us attract new brands and build stronger ties with our existing brand partners. In addition, our warehousing services help attract brands to our Maikefeng platform as they allow existing users of these services to adopt our Maikefeng platform and solve excess inventory issues without the need to physically move inventory. As of March 31, 2015, Maikefeng had attracted 411 brands and housed over 37,930 distinct items for sale.

Major product categories on Maikefeng include sports, clothing and footwear, beauty and cosmetics. We have adopted stringent quality assurance and control procedures for products sold on the Maikefeng platform and delivered through our logistics network. We source our products on Maikefeng directly from brands or through procurement agents. We carefully inspect all products delivered to our warehouses, rejecting or returning products that do not meet our quality standards or the purchase order specifications. We also inspect all products before shipment from our logistics centers to our customers. We believe that our strict brand selection process and quality control procedures enable us to ensure the high quality level of products sold on our Maikefeng mobile application and mkf.com website and increase customer satisfaction. We price products on Maikefeng at significant discounts, typically 70% off the original retail price. Our attractive pricing is made possible by lower purchase price, in particular for off-season or slower-moving inventory or slightly damaged goods, and the absence of physical retail space and related overhead costs.

We have built a highly engaged and loyal customer base for Maikefeng that contributes to our sales growth, while also enabling us to attract new customers primarily through word-of-mouth referrals. Maikefeng had approximately 480,000 registered users and approximately 92,000 cumulative customers and approximately 758,000 registered users and approximately 138,700 cumulative customers as of December 31, 2014 and March 31, 2015, respectively. As of December 31, 2014 and March 31, 2015, there had been 2.9 million and 3.8 million activations, respectively, of our Maikefeng mobile application.

Brand Partners & Brand Partner Development and Services

Brand Partners

As of March 31, 2015, we were providing e-commerce solutions to 94 brand partners primarily under annual or bi-annual service contracts. Our brand partners cover diverse product categories, including apparel, appliances, electronics, home, food and health, cosmetics, insurance and automobile.

In response to our brand partners needs to leverage our expertise to help them expand their e-commerce business in the Greater China region, we have extended our service and operational capabilities beyond mainland China. We can now provide brand partners such as Microsoft and Nike end-to-end e-commere solutions in Hong Kong. We provide IT service, customer service and warehousing and logistics services through local staff on the ground and online store operations and digital marketing through the home team in mainland China. In addition, as e-commerce starts to take shape and grow in Southeast Asian markets, we have commenced our provision of services in Indonesia.

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. See 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.

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 only with those that are established in profitable industries and with long-term potential. In addition, we screen potential brand partners based on criteria such as projected annual GMV and service fees, projected profitability 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.

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We intend to grow our business by adding new brand partners into our brand partner portfolio. 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.

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.

Case Study Selected Brands

Philips

Philips was one of the earliest international brands to open flagship stores on Tmall. In 2008, Philips engaged us to be its e-commerce solutions partner in China because of our technology infrastructure and industry knowledge. Since then, we have helped Philips successfully expand into China and build a significant online presence.

January 2008 Operated official brand store. Philips was one of our earliest brand partners. Philips engaged us to operate its official brand store in China in January 2008.

April 2008 Launched Philips authorized official Tmall stores. In 2008, as part of its effort to launch its Tmall store, Philips s Consumer Lifestyle Business team worked closely with us to better understand China s online marketplaces and consumer behavior. Now we operate four of Philips s Tmall stores which offer a comprehensive range of Philips s home appliances and consumer electronics products, including lighting, telecommunications products and digital and security products. We have developed a highly synergistic relationship with Philips. Under our partnership, the GMV of Philips Tmall stores have increased significantly.

Global Fashion Brand

One of our brand partners is a global fashion brand that has pioneered e-commerce for luxury brands in China. In 2011, the brand engaged us to promote its brand culture and enhance customers experience. One of the key challenges the brand faced was enticing price-sensitive online shoppers to buy luxury goods. Since then, we have worked closely with the brand to enhance its e-commerce presence through the following:

November 2012 Launched Chinese official brand store. We worked closely with the brand s marketing team to launch its online store after eight months of research, design and planning. After the launch of the Chinese official brand store, we continued to provide e-commerce solutions to the brand, including store operations, digital marketing, customer service, warehousing and logistics services. In its first year of operations, the brand s Chinese official brand store s GMV exceeded its offline stores in China.

July 2013 Launched mobile terminal. As we were able to collect and analyze more data on Chinese consumers spending habits, we strategized with the brand to launch its mobile terminal to serve as a new touch point for the brand.

July 2013 Established O2O channel. We completed the data integration of the brand s online platform into its offline stores in seven key cities in China. The integration allowed the brand s customers to make purchases online and collect their purchases at an offline store. This represented the brand s first O2O offering.

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November 2014 Integrated mobile terminal with Weixin. We completed the integration of the brand s mobile terminal with its public account on Tencent s Weixin platform, allowing access to the mobile terminal through Weixin. This helped the brand consolidate its followers across platforms, offered its customers a seamless mobile experience and allowed Weixin Pay as a new form of payment on the brand s e-commerce platform.

As the only e-commerce solutions partner of the brand in China, we believe we will continue to play a significant role in the brand s e-commerce strategy as they continue to innovate and expand their footprint in China.

Leading Sportswear Brand

A leading athletic apparel brand first engaged our services as part of its e-commerce expansion strategy into China in 2008. As a leading global sportswear brand, its primary focus was to maintain its global brand image among Chinese consumers. Our expertise in brand management and our strong understanding of the brand s culture were crucial in helping the brand achieve its objective.

November 2010 Launched official brand store. We launched the brand s official brand store and provided the brand with store operations, customer service, warehousing and logistics solutions. Our solutions have helped the brand manage its dynamic product portfolio and implement complex sales and marketing strategies. For example, our seamless solutions have allowed the brand to incorporate the seckill sales strategy on its e-commerce platform. Under this sales strategy, the brand offers limited edition products on a first-come-first serve basis, encouraging frequent visits to its online stores. Products are often sold out within seconds of the offering, and our advanced e-commerce IT platform and our fulfilment capability supports the execution of the seckill strategy.

May 2012 Expanded into Tmall. Encouraged by our successful launch and operation of its official brand store, the brand further engaged us to expand its operations into Tmall. The brand s store is now a leading store on Tmall in the sportswear category.

August 2014 Started Hong Kong official brand store. We launched the brand s Hong Kong official brand store and extended our services to the brand to the markets outside mainland China. We also help the brand operate a unique O2O service in Hong Kong. Consumers can purchase the products online and collect the products offline at certain popular convenience stores in Hong Kong.

We aim to continue to work closely with the brand on reaching its future goals in China by improving its e-commerce services and expanding its e-commerce presence to other markets.

Channels

We currently work with major marketplaces such as Tmall and JD.com and major social media platform such as Weixin and Weibo, in China. We also operate official brand stores. We also provide services to our brand partners through O2O strategies. 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 brands individual e-commerce objectives.

Official Marketplace Stores

We maintain close working relationships with the major marketplaces in China, such as Tmall and JD.com. Our brand e-commerce solutions benefit third-party marketplaces by helping them attract new brand retailers. As

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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 ranges from 0.5% to 5.0%. We also pay an annual upfront service fees to marketplaces, up to 100% of which may be refunded depending on our sales volume. We also pay security deposit for potential disputes under these agreements.

Official Brand Stores

We also offer to work with our brand partners in setting up and operating their official brand stores. Based on our experience, consumers expect a total brand immersion on an official brand store that is different from the presentation of the brand s stores in online marketplaces, which 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 impactful online presence for our brand partners. As of December 31, 2012, 2013, and 2014, and March 31, 2015 we operated 9, 13, 16 and 17 official brand stores, respectively. As of March 31, 2015, we operated mobile sites for 9 of our brand partners.

Social Media Platforms

We work with our brand partners to enhance awareness of their brands on social media platforms and within the broader online community. We helped our brand partners set up accounts and design their homepage on social media platforms, such as Weixin and Weibo, and regularly update their accounts with stories relating to their products, activities and brands. We also monitor comments on our brand partners accounts and work with our brand partners in responding to these comments.

O2O Solutions

We also help our brand partners devise and execute O2O 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 individual e-commerce objectives. Examples of our O2O capabilities include:

- allowing consumers to place purchase orders online and pick up or return and exchange goods offline;
- aligning consumers online and offline loyalty programs; and
- syncing online and offline QR codes.

Case Study O2O

Häagen-Dazs

Häagen-Dazs launched its O2O offering in 2010 under which customers are able to explore and choose available ice-cream flavors online through Häagen-Dazs s official store on Tmall. Upon payment, customers will receive a QR code which they can scan to redeem their purchases at certain offline Häagen-Dazs retail stores. We have provided technical support and services to Häagen-Dazs s official store on Tmall.

Payment Service Providers

Third-party marketplaces, our brand partners   official brand stores and our Maikefeng platform provide customers with the flexibility to choose from a number of payment options. These payment options include

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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 Tenpay.

In addition, official brand stores typically offer the payment on delivery payment option. Our logistics partners deliver products to customers 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 and on our Maikefeng platform to all areas in China through reputable third-party couriers with nationwide coverage, such as SF Express, STO Express, ZTO Express and EMS as well as other quality logistics services providers.

We leverage our large-scale operations and reputation 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 Capabilities

We have made significant investments and will continue to invest in developing our proprietary technology platform to deliver solutions that aim to address e-commerce needs for our brand partners. Our technology systems cover the whole e-commerce value chain, ranging from online store platforms to warehouse management and to data collection and reporting.

The principal components of our proprietary technology infrastructure cover both official brand store systems and back-end operations systems, including:

Order Management System: We process sales orders on online stores through our order management systems, or OMS. OMS controls the whole order cycle, including order data fetching and transfer and fulfillment. OMS connects with both internal and external warehousing systems and is capable of tracking order statuses. OMS also manages all post-sales services such as order canceling, product returns and refunds. OMS is the central node of our e-commerce platform and currently supports all channels including marketplaces and official brand stores.

Warehouse Management System: Our warehouse management system, or 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.

Baozun platform NEBULA 5.0 : We set up and operate our brand partners official brand stores through our NEBULA 5.0 platform. With this platform we can quickly set up and customize official brand stores to provide rich features that enhance customers online shopping experience. These features encompass all major aspects of online shopping, such as in-site search, checkout and rating, and provide flexibility for data, content and promotion/campaign management. NEBULA 5.0 supports multiple languages and is easily customized and deployed.

Mobile Store System: Our mobile store system is an online web store system for mobile devices based on HTML5 technology. It shares the same back-end system with NEBULA 5.0. Our mobile store system is capable of identifying the type of device from which visitors are accessing the store and can make adjustments for optimized display accordingly.

Data Warehouse and Reporting System: Our data warehouse collects and organizes all kinds of data, such as product information, transaction information, consumers geographic location and purchase history. From the data we collect, our data reporting system generates reports that are useful for both our brand partners and us, such as daily sales reports and inventory reports.

Logistics Management System: Our logistics management system coordinates the flow of goods between our warehouses and the final address for each package in each order. Our logistics management system is deeply integrated with the system of third-party couriers to provide multiple levels of services, such as same-day delivery and real-time tracking.

Data Exchange Platform: Our data exchange platform manages all data integration requirements from external parties. It supports flexible synchronization of information with any system. It also acts as a buffer to help avoid overloading of our core systems, such as OMS & WMS.

Intellectual Property

We use our brand partners names, URLs, logos and other marks in connection with the operation and promotion of their e-commerce businesses. 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 businesses. These licenses are typically coterminous with the respective agreements.

We also rely on technologies that we license from third parties. These licenses may not continue to be available to us on commercially reasonable terms in the future. As a result, we may be required to obtain substitute technology.

We regard our trademarks, 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, 2015, we owned 32 registered trademarks, copyrights to 6 software programs developed by us relating to various aspects of our operations, and 14 registered domain names.

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

Employees

As of March 31, 2015, we had 1,708 full-time employees. We had a total of 1,053 full-time employees, 1,302 full-time employees and 1,580 full-time employees as of December 31, 2012, 2013 and 2014, respectively. The following table provides a breakdown of our employees as of March 31, 2015 by function:

Function	**Number**
Front-end[1]	1,146
Fulfillment	258
Information technology	191
Back-end[2]	113
Total	**1,708**

Notes: 1 Front-endfunctions include store management and operations, customer service, business development, design and digital marketing.

2 Back-endfunctions 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 education background, strong IT capabilities, deep industry knowledge and working experience with brand partners. In addition, our brand management team comprises personnel who connects 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 procedure and selective standards in recruiting capable employees through various channels, including internal referral, job boards, on campus interview, job fair and recruiting agent.

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 trainings include training of business English and business presentation, management training camp for junior managers and customer service agent career development program. 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.

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.

Properties and Facilities

We are headquartered in Shanghai and leased an aggregate of approximately 9,323 square meters of offices and operation centers as of March 31, 2015. In addition, as of March 31, 2015, we leased an aggregate of approximately 72,800 square meters of warehouse space. Our premises are leased under operating lease agreements from unrelated third parties.

We plan to expand both our office space and warehousing infrastructure over the next several years.

Insurance

We maintain various insurance policies to safeguard against risks and unexpected events. We have purchased property insurance covering our inventory 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. Additionally, we provide supplementary medical insurance for all management and research and development personnel. We do not maintain business interruption insurance, nor do we maintain product liability insurance or key-man life insurance. We consider our insurance coverage to be sufficient for our business operations in China.

Legal Proceedings

From time to time, we may be involved in legal proceedings in the ordinary course of our business. We are currently not a party to any material legal or administrative proceedings.

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REGULATION

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

We provide end-to-end brand e-commerce solutions in China. The principal regulations governing foreign investment in our business in China include:

- the Guidance Catalog of Industries for Foreign Investment, issued by the National Development and Reform Commission and the Ministry of Commerce in 2015, or the Catalog;
- the Administrative Measures on Foreign Investment in the Commercial Sector, issued by the Ministry of Commerce in 2004 and amended in 2005, 2008 and 2010 respectively, or the Commercial Sector Measures;
- the Notice on the Relevant Issues concerning the Examination, Approval and Administration of Foreign Investment in Internet and Vending Machine Sales, issued by the Ministry of Commerce in 2010; and
- the Regulations for Administration of Foreign-invested Telecommunications Enterprises, issued by the State Council in 2001.

Industry Catalog Relating to Foreign Investment. Investment activities in the PRC by foreign investors are principally governed by the Catalog, which was promulgated and is amended from time to time by the Ministry of Commerce and the National Development and Reform Commission. The Catalog divides industries into three categories: encouraged, restricted and prohibited. Industries not listed in the Catalog are generally deemed as constituting a fourth permitted category and open to foreign investment unless specifically restricted by other PRC regulations.

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

Under the service fee model, we provide IT, online store operations, marketing, design and other technical services to our brand partners in exchange for service fees. Pursuant to the latest Catalog that was amended in March 2015 and became effective in April 2015, provision of technical services and consultations falls into the encouraged or permitted category. Our PRC subsidiaries have obtained all material approvals requisite for providing such services.

Under the consignment model and the distribution model, we sell goods directly to customers through e-commerce platforms either on behalf of our brand partners or under our own name. Such online sale of commodities which was once in the restricted category and the establishment of foreign-invested enterprises in the industry (including wholly foreign-owned enterprises) was subject to approvals by the Ministry of Commerce or its provincial counterparts. However, the latest Catalog that was amended in March 2015 and became effective in April 2015 has removed online sale of commodities from the restricted category and it now falls into the permitted category.

Foreign Investment in the Commercial Sector. According to the Commercial Sector Measures, a foreign investor is permitted to engage in the commercial sector, which is defined in the measures to include wholesale, retail, commission agency and franchising, by setting up commercial enterprises in accordance with the procedures and guidelines provided in the Commercial Sector Measures. Currently, the provincial counterparts of the Ministry of Commerce have the authority to approve applications for setting up foreign-invested enterprises to engage in sale of goods through the internet, among others.

Furthermore, according to the Notice on the Relevant Issues concerning the Examination, Approval and Administration of Foreign Investment in Internet and Vending Machine Sales issued by the Ministry of Commerce in August 2010, online sales is deemed as the extension of companies sales operations, and a duly incorporated foreign-invested entity in the commercial sector is allowed to operate online sales business directly. The establishment of a foreign-invested commercial enterprise specializing in online sales is subject to approval by the competent provincial counterpart of the Ministry of Commerce in accordance with the Commercial Sector Measures.

Currently, our wholly-owned subsidiary in the PRC, Shanghai Baozun, together with its subsidiaries, engages in online sales under the consignment model and the distribution model, and a significant portion of our revenues is generated through such online sales. Shanghai Baozun has received the approval from the local provincial counterpart of the Ministry of Commerce for engaging in online sales.

Foreign Investment in Value-Added Telecommunications Businesses. Pursuant to the Catalog amended in March 2015, the provision of value-added telecommunications services generally falls in the restricted category.

Foreign investment in telecommunications businesses is further governed by the Administrative Rules for Foreign Investments in Telecommunications Enterprises, issued by the State Council on December 11, 2001 and amended on September 10, 2008, under which a foreign investor s beneficial equity ownership in an entity providing value-added telecommunications services in China is not permitted to exceed 50%. In addition, for a foreign investor to acquire any equity interest in a business providing value-added telecommunications services in China, it must demonstrate a positive track record and experience in providing such services. The MIIT s Notice Regarding Strengthening Administration of Foreign Investment in Operating Value-Added Telecommunication Businesses, or the MIIT Notice, was issued 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 an ICP license, is prohibited from leasing, transferring or selling its licenses in any form, or providing any resource, sites or facilities, to any foreign investors intending to conduct such businesses in China.

To comply with such foreign ownership restrictions, we currently hold an ICP license through our PRC consolidated VIE, Shanghai Zunyi. Shanghai Zunyi, as the operator of our Maikefeng platform, currently sells commodities selected and purchased by itself via internet under the distribution model. Although we do not believe Shanghai Zunyi s current business involves any value-added telecommunication service, going forward, we may plan to provide value-added telecommunications services by developing e-commerce platforms for other trading parties. To maintain our flexibility in developing value-added telecommunications services in the future, Shanghai Zunyi has applied for and obtained the ICP License.

Regulation Relating to Distribution of Specific Types of Goods

Our online sales business covers diverse categories of brand products, including apparel, appliances, electronics, home, food and health, cosmetics, insurance and automobile. Because distribution of certain special types of goods is subject to government approvals or legal requirements, we are required to either hold a variety of licenses and permits or meet certain requirements in connection with various aspects of our business.

For example, pursuant to the Administrative Measures on Food Distribution Permits issued by the SAIC in July 2009 and the Decision on the Adjustment of Administrative Examination and Approval Items issued by the State Council in October 2014, an enterprise is required to obtain a Food Distribution Permit from a local branch of the State Administration of Industry and Commerce to start the food distribution business. Our PRC subsidiaries, Shanghai Baozun, Shanghai Fengbo, and our consolidated VIE, Shanghai Zunyi, have all obtained Food Distribution Permits. In addition, Shanghai Baozun has obtained an Alcoholic Goods Wholesale Permit for wholesale of alcoholic goods pursuant to the Administrative Measures for Alcohol Circulation issued by MOFCOM in November 2005.

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 sold 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 PRC Product Quality Law 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, the PRC Pricing Law promulgated in 1997, and the PRC Advertising Law. Under the PRC Advertising Law promulgated in 1994, advertising operators and advertising distributors are all required to ensure that the content of advertisements they produce or disseminate are true and in full compliance with applicable law and regulations, and are prohibited from conveying misleading, false or inaccurate information through advertising. The PRC Advertising Law was recently amended in April 2015, and the amendments will become effective in September 2015, pursuant to which 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. For example, under prize-giving sales, the value of prize should be no more than RMB5,000 (US$806.6). 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 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

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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) 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 or knowingly sell substandard or defective products, 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.

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 Online Transaction

In January 26, 2014, the SAIC released the Administrative Measures for Online Transactions, or the Online Transaction Measures, which took effect in March 2014. Under the Online Transaction Measures, online business operators, online service providers and operators of third-party transaction platforms are required to register with the SAIC or its local branches and obtain a business license, except where such business operator is an individual who does not have business license but has completed the registration of his or her true name through certain third-party transaction platforms. When selling products to, or providing services for, consumers, online business operators and service providers are required to disclose to consumers their business address and contact details, quantities, quality, and prices or fees of the goods or services, duration and manner of performance, methods of payment, product return and replacement policy, safety precautions and risk warnings, after-sale services, civil liabilities and other information according to the Online Transaction Measures. Online business operators and service providers are also required to procure the security and reliability of the transactions, and provide the products or services consistent with their commitments. Our PRC subsidiaries and consolidated VIE, as online business operators and service providers, are subject to the Online Transaction Measures.

Regulation Relating to Mobile Applications

E-commerce business via mobile network is at an early stage of development in China. We design and develop mobile applications to create an integrated consumer shopping experience across both online and mobile channels, and are therefore subject to various laws and regulations issued and implemented by the PRC regulatory authorities.

The Notice on Strengthening the Network Access Management of Mobile Intelligent Terminals, issued by the Ministry of Industry and Information Technology,