

SHANGHAI, China, April 12, 2017 (GLOBE NEWSWIRE) --

Dear Shareholders:

As 2016 ended, we had a great deal to celebrate. It's been less than two years since our Initial Public Offering of American Depository Shares (ADSs) on Nasdaq in May 2015, when we raised US\$113.7 million. Since then we also had a successful follow-on offering raising US\$33.1 million in December 2016. The positive response to both the IPO and the follow-on offering was a testament to the faith investors have in us, and to the extraordinary opportunities in the Chinese brand e-commerce space. We plan to use the funds raised to create more shareholder value as we look to benefit from the opportunities created by the dramatic changes taking place in the digital retail sector.

We were delighted to finish off the year on a strong note, with another quarter of solid financial and operational results. Our strong performance was driven both by sales growth of our existing online stores, as well as the expansion of our portfolio of brand partners. 2016 marked our third straight year of profitability on a non-GAAP basis. I believe this was a direct result of our improving operational capabilities, the sustainability and quality of our topline growth and the steady improvement in our margins due to both increasing economies of scale and enhanced execution. Looking ahead, we plan to continue to strengthen our leading position in the market by continuously providing best in class e-commerce solutions to our brand partners.

As China's leading brand e-commerce player, we are not only riding the digital commerce wave but also shaping it. As the digital retail market transitions from the "first-round" transactional phase of e-commerce to a more holistic model, involving omni-channel sales, digital marketing, Customer Relationship Management (CRM), data warehousing and analytics, we are leading the market by integrating all these services and providing holistic solutions to our brand partners.

As such, we believe that we are well-positioned as a leader in one of the largest e-commerce market in the world. China's total online shopping market represents 14.8% of China's retail sales of consumer goods and grew by 30.7% from 2015 to RMB 5 trillion in 2016, according to iResearch. This market is expected to grow to RMB 7.5 trillion, according to iResearch, by 2018. Within the overall Chinese e-commerce space, brand e-commerce, which connects brands and consumers through official online stores and authorized marketplace stores, is among the most exciting sectors and we are the clear market leader with a market share of 22% by transaction value in 2015, according to iResearch.

## 2016 Highlights

Let me share with you some of the key highlights from 2016, which was also our 10th anniversary since we started operation.

### *Performance*

This year, we generated RMB11.3 billion (US\$1.62 billion)<sup>1</sup> in Gross Merchandise Value (GMV), representing year-over-year growth of 67%, which marks our first year with GMV generated more than RMB 10 billion. Our non-GAAP net income attributable to ordinary shareholders of Baozun Inc. was RMB 121 million (US\$17.4 million), representing a year-over-year increase of 437%. We expect GMV during fiscal year 2017 to grow by over 50% compared with fiscal year 2016.

Over the course of 2016, Baozun's portfolio of e-commerce brand partners grew to 133, up from 113 as of December 31, 2015. These brand partners are also diverse, covering product categories ranging from apparel, appliances, electronics, home and furnishings, food and health products, cosmetics, fast moving consumer goods, insurance and automobiles. Beyond mainland China, we provide end-to-end e-commerce solutions to brand partners in Hong Kong and, from April 2016, we began to provide e-commerce solutions to our brand partners in Taiwan.

Baозun was the only brand e-commerce player consecutively named a 6-star Tmall service partner in both 2015 and 2016. Underlining our strong performance on Tmall, on the November 11 "Single's Day" in 2016, our total order value was RMB 2.5 billion (US\$367.7 million)<sup>2</sup> over twice the amount achieved in 2015. Single's Day is the world's biggest online shopping day, and we were very pleased with our performance.

### *Professional Services*

- **Logistics:** We set up a wholly-owned warehouse and logistics subsidiary, Baotong E-logistics, to expand the scale of our diversified range of logistics services. As a partner of Cainiao, a leading logistics data platform operator associated with Alibaba Group, Baotong has strengthened and expanded the scale of our warehousing and fulfillment services and improved our ability to serve a larger number of brand partners and other merchants.
- **Information Technology (IT):** On top of our core brand e-commerce system, we expanded our e-store system, comprising

Nebula+, Business Intelligence (BI), and Omni-Channel.

- Digital Marketing: We upgraded the digital marketing team to a business group in 2016, and have made major improvements through hiring more skilled team members in Customer Relationship Management (CRM) and Customer Experience Management (CEM), as well as winning a number of marketing project awards along the way.
- Restructuring for Greater Focus: We expanded the number of business groups from four to six, supporting greater mission focus on the part of each business group as well as greater professionalism in management and operations.

1 Exchange rate of RMB1:US\$0.144 as of 12/30/2016.

2 Exchange rate of RMB1:US\$0.147 as of November 10, 2016.

### *Expansion in Greater China*

We started offering our brand partners end-to-end solutions in Hong Kong in 2013 and, since then, have added several more stores. In October 2015, we received approval from the Investment Commission of Taiwan's Ministry of Economic Affairs and started to provide our brand partners with end-to-end e-commerce solutions in Taiwan in April 2016. We can now offer end-to-end e-commerce solutions to our brand partners in mainland China, Hong Kong and Taiwan, and plan to follow demand from our partners to other countries and regional markets.

### *Corporate Governance Improvements*

2016 was the first year we were audited based on Sarbanes-Oxley Act requirements. We obtained an "Unqualified Opinion Report" with respect to our disclosure controls and procedures and internal controls over financial reporting, which was reflected in our annual report filed with the U.S. Securities and Exchange Commission. We plan to continue to adhere to best practices as we conduct future audits and prepare reports.

### *Industry Recognition*

Last May, Baozun hosted the first Global Brand E-Commerce Summit (BECS). We had more than 400 participants, including our brand partners, Alibaba and McKinsey. The conference theme was the "rise of omni-channel e-commerce" and what it means for brands and brand e-commerce partners. Omni-channel e-commerce will offer a major opportunity in the domestic retail market over the next decade, and Baozun intends to be a key player in providing added value to brands and consumers by offering robust omni-channel e-commerce solutions.

### *Team Building*

We believe that an essential part of building our brand is to foster a creative, collaborative, and enthusiastic corporate culture. Working in teams is one of our strengths, and we try to give our employees the opportunity to develop themselves as well as work with each other. The benchmarks we use for our Employee Net Promoter System, eNPS, increased by 206% this year. This system tracks the introduction of friends and family members to Baozun by existing employees. Over the past year, our employee satisfaction surveys have shown remarkable gains. We think these measures show that we are making headway towards becoming one of the most respected Chinese internet companies as well as one of the most coveted places to work in China.

### *Business Strategies*

We endeavor to create a seamless workflow and experience for our brand e-commerce partners. We are cognizant of the need to anticipate the requirements of potential clients as well as support our existing clients for services ranging from "transactional" to "integrated", from single channel to omni-channel, and from China to global. Key areas of focus are:

- Existing brand partners: Our objectives are to improve brand satisfaction, realize GMV growth, reduce operational costs, and provide value-added services including digital marketing tools and solutions, BI, CRM, CEM and Artificial Intelligence (AI). We believe our professional management and customized brand e-commerce strategies will help us to achieve these goals.
- Potential clients: We rely on our best-of-kind premium service capability to attract new brand partners. As we strengthen our capabilities and expand the array of our services, we expect to see our brand customer base grow.
- Asset-light business model: We are transitioning towards an asset-light model to further decrease inventory risk and increase margin profile.
- Omni-channel solutions: In addition to the continuous investment into software development, we are increasingly investing in omni-channel solutions by allocating more resources as we provide services to more brands.

### *The Next Three Years*

Over the next three years we plan to underpin our growth in four key ways, which are:

#### *Vertical Deepening*

For our existing e-commerce brand partners, we plan to extend our value proposition both upstream and downstream. On the upstream side, we will use longer-term contracts, strategic alliances, joint ventures and investments to develop a closer relationship with our brand partners. On the downstream side, we will work more closely with e-commerce platforms and develop solutions based on our insight into consumer markets, to build a new generation of brand e-commerce value chains and ecosystems.

#### *Global Expansion*

As the China brand e-commerce universe expands, we are facing new demands to take our brand partners beyond China. We plan to develop our capacity to meet the needs of our brand partners so that they can succeed not only in China, but also internationally.

#### *Human Resources*

As our business grows, we expect to become ever more dependent on our ability to recruit and train talent for our business development and operations. We plan to continually strengthen our talent pool by using incentive programs, programs for professional development and management trainee programs. We are also constantly looking for ways to recruit talent from the off-line retail market and train them in e-commerce.

#### *Building a Creative and Entrepreneurial Culture*

Our core values are based on integrity, ownership, collaboration, initiative, and innovation, and maintaining a creative, entrepreneurial, and innovative spirit is critically important to us. Every year, we hold a Creativity and Innovation Competition, which has attracted more and more attention as well as new recruits.

2017 marks the beginning of our second decade of operation. The first ten years laid the foundation. Over the next decade, we will harvest our hard work in an ever more exciting and fast-paced future. As we look back and look ahead, let me extend a heartfelt thanks to Baozun's investors, brand partners, management and employees. With your continued and most welcomed support, our future is assured.

Sincere regards,

Vincent Wenbin Qiu  
Chairman and Chief Executive Officer  
Baozun Inc.

#### Safe Harbor Statements

This news release contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," "target," "going forward," "outlook" and similar statements. Such statements are based upon management's current expectations and current market and operating conditions, and relate to events that involve known or unknown risks, uncertainties and other factors, all of which are difficult to predict and many of which are beyond the Company's control, which may cause the Company's actual results, performance or achievements to differ materially from those in the forward-looking statements. Further information regarding these and other risks, uncertainties or factors is included in the Company's filings with the U.S. Securities and Exchange Commission. The Company does not undertake any obligation to update any forward-looking statement as a result of new information, future events or otherwise, except as required under law.

For more information, please visit <http://ir.baozun.com>

CONTACT: For investor and media inquiries, please contact:

Baozun Inc.  
Ms. Caroline Dong [cjir@baozun.com](mailto:cjir@baozun.com)

Christensen  
In China  
Mr. Christian Arnell  
Phone: +86-10-5900-1548  
E-mail: [carnell@christensenir.com](mailto:carnell@christensenir.com)

In US

Ms. Linda Bergkamp  
Phone: +1-480-614-3004  
Email: [lbergkamp@ChristensenIR.com](mailto:lbergkamp@ChristensenIR.com)

Baozun Inc.

---

<https://ir-sc.baozun.com/Investor-News?item=120>