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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Alibaba Health Information Technology Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares in Alibaba Health Information Technology Limited.

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ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED 阿里健康信息技術有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00241)

RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF SPECIAL GENERAL MEETING

**Independent Financial Adviser to the
Independent Board Committee and the Independent Shareholders**



A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 30 to 31 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 32 to 66 of this circular.

A notice convening the SGM to be held at Units 2302–2305, 23/F, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong on Thursday, March 29, 2018 at 10:30 a.m. is set out on pages 72 to 74 of this circular. A form of proxy for use at the SGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.irasia.com/listco/hk/alihealth>).

Whether or not you are able to attend the SGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM if you so wish.

March 13, 2018

CONTENTS

	<i>Page</i>
CONTENTS	i
DEFINITIONS	1
LETTER FROM THE BOARD	
1. INTRODUCTION	9
2. RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS	10
2.1 PRINCIPAL TERMS OF THE 2019 CCT AGREEMENTS	
Renewed Services Framework Agreement	10
Renewed Services Agreement	12
Renewed Logistics Services Framework Agreement	15
Renewed Shared Services Agreement	17
Advertising Services Framework Agreement	19
2.2 HISTORICAL AMOUNTS AND BASIS FOR DETERMINING THE ANNUAL CAPS AMOUNTS	21
2.3 INTERNAL CONTROLS FOR THE GROUP'S CONTINUING CONNECTED TRANSACTIONS	23
2.4 INFORMATION ABOUT THE PARTIES	24
2.5 REASONS FOR ENTERING INTO THE 2019 CCT AGREEMENTS	25
2.6 LISTING RULES IMPLICATIONS	27
2.7 INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER	27
3. RECOMMENDATION	28
4. GENERAL	28
5. SGM AND PROXY ARRANGEMENT	28
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	30
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	32
APPENDIX — GENERAL INFORMATION	67
NOTICE OF SPECIAL GENERAL MEETING	72

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“2019 CCT Agreements”	the Renewed Services Framework Agreement, the Renewed Services Agreement, the Renewed Logistics Services Framework Agreement, the Renewed Shared Services Agreement and the Advertising Services Framework Agreement
“Advertising Annual Cap”	the annual cap for the services fees payable by the Group for the year ending March 31, 2019 under the Advertising Services Framework Agreement
“Advertising Services”	the advertising services provided by Alimama to the Group under the Advertising Services Agreements
“Advertising Services Agreements”	the Zuanshi Services Agreements, the Zhitongche Services Agreements, the Yiyebaping Services Agreement and the Lihe Advertising Services Agreement
“Advertising Services Framework Agreement”	the agreement dated February 14, 2018 entered into between the Company and Alimama
“AGH Annual Cap”	the annual cap for the service fees payable by the Group for the year ending March 31, 2019 under the Renewed Services Framework Agreement
“AGH Contracting Parties”	Alibaba.com China and Taobao China
“AGH Platforms”	the platforms operated by the AGH Relevant Entities from time to time, including but not limited to Taobao, Tmall, Tmall Global and Rural Taobao and Lingshoutong
“AGH Relevant Entities”	AGH Contracting Parties and its affiliates including Alibaba Technology, Hangzhou Alibaba Advertising, Alibaba Software and the Tmall Entities, collectively
“Ali JK”	Ali JK Nutritional Products Holding Limited, a company incorporated in the British Virgin Islands and a wholly-owned Subsidiary of Alibaba Holding
“Alibaba Group”	a group of companies comprising Alibaba Holding and its Subsidiaries, but, for the purpose of this circular, excluding the Group

DEFINITIONS

“Alibaba Health (HK)”	Alibaba (Hong Kong) Technology Company Limited (阿里健康(香港)科技有限公司), an indirect wholly-owned Subsidiary of the Company
“Alibaba Health Pharmaceutical”	Alibaba Health Pharmaceutical Chain Co., Ltd.* (阿里健康大藥房醫藥連鎖有限公司), a company established in the PRC and an indirect wholly-owned Subsidiary of the Company
“Alibaba Health Technology (China)”	Alibaba Health Technology (China) Company Limited* (阿里健康科技(中國)有限公司), formerly known as Alibaba Health Technology (Beijing) Company Limited* (阿里健康科技(北京)有限公司), a limited liability company incorporated under the laws of the PRC and an indirect wholly owned Subsidiary of the Company
“Alibaba Holding”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands, the ultimate controlling shareholder of the Company, and the American depository shares of which are listed on the New York Stock Exchange
“Alibaba Service Providers”	the parties to provide the Shared Services under the Shared Services Agreement, which include Alibaba Holding, persons controlled by it and persons under the common control of Alibaba Holding, and any other persons designated by Alibaba Holding
“Alibaba Software”	Alibaba (China) Software Co. Ltd.* (阿里巴巴(中國)軟件有限公司), a company established in the PRC with limited liability and an indirect wholly-owned Subsidiary of Alibaba Holding
“Alibaba Technology”	Alibaba (China) Technology Co., Ltd.* (阿里巴巴(中國)網絡技術有限公司), a company established in the PRC with limited liability and an indirect wholly-owned Subsidiary of Alibaba Holding
“Alibaba.com China”	Alibaba.com China Limited (阿里巴巴網絡中國有限公司), a company incorporated in Hong Kong and an indirect wholly-owned Subsidiary of Alibaba Holding
“Alimama”	Hangzhou Alimama Software Services Co., Ltd.* (杭州阿里媽媽軟件服務有限公司), a company established in the PRC with limited liability and an indirect wholly-owned Subsidiary of Alibaba Holding
“Alimama Group”	Alimama and its Subsidiaries and affiliates
“associate”	has the meaning given to it under the Listing Rules

DEFINITIONS

“Board”	the board of directors of the Company
“Cainiao Group”	Cainiao Smart Logistics and its Subsidiaries
“Cainiao Smart Logistics”	Cainiao Smart Logistics Network Limited, a company incorporated in the Cayman Islands, the ultimate controlling shareholder of Hangzhou Cainiao
“CCT Agreements”	the Services Framework Agreement, the Services Agreement, the Logistics Services Framework Agreement, the Shared Services Agreement and the Advertising Services Agreements
“Company” or “Alibaba Health”	Alibaba Health Information Technology Limited (阿里健康信息技術有限公司), a company incorporated in Bermuda, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00241)
“connected person”	has the meaning given to it under the Listing Rules
“Control”	the power or authority, whether exercised or not, to direct the business, management and policies of a person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, which power or authority shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of more than fifty per cent (50%) of the votes entitled to be cast at a meeting of the members or shareholders of such person or power to control the composition of a majority of the board of directors (or similar governing body) of such person and the term “Controlled” shall be construed accordingly
“Director(s)”	member(s) of the Board
“Effective Date”	the effective date of the respective 2019 CCT Agreements, being April 1, 2018 or the date of the approval of the 2019 CCT Agreements and continuing connected transactions contemplated thereunder by the Independent Shareholders at the SGM (whichever is the later)
“GMV”	gross merchandise volume
“Group”	the Company and each of its Subsidiaries from time to time
“Hangzhou Alibaba Advertising”	Hangzhou Alibaba Advertising Co., Ltd.* (杭州阿里巴巴廣告有限公司), a company established in the PRC with limited liability and ultimately Controlled by Alibaba Holding

DEFINITIONS

“Hangzhou Cainiao”	Hangzhou Cainiao Supply Chain Management Co., Ltd* (杭州菜鸟供应链管理有限公司), a company established in the PRC with limited liability and an indirect non-wholly-owned Subsidiary of Alibaba Holding
“Hangzhou Lihe”	Hangzhou Lihe Pharmaceutical Co., Ltd.* (杭州禮和醫藥有限公司), a company established in the PRC and an indirect wholly-owned Subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising Mr. YAN Xuan, Mr. LUO Tong and Mr. WONG King On, Samuel, being the independent non-executive Directors, established to advise the Independent Shareholders on the 2019 CCT Agreements
“Independent Financial Adviser” or “Platinum”	Platinum Securities Company Limited, a corporation licensed under the Securities and Futures Ordinance to provide Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, and the independent financial adviser be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the 2019 CCT Agreements
“Independent Shareholders”	the Shareholders of the Company, other than (i) Alibaba Holding and its associates, including Perfect Advance and Ali JK; and (ii) those who are required to abstain from voting at the SGM to be convened to approve the 2019 CCT Agreements
“Latest Practicable Date”	March 8, 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Lihe Advertising Services Agreement”	the advertising agreement dated January 8, 2018 entered into between Hangzhou Lihe, Alimama and Alibaba Health Technology (China)
“Lingshoutong”	a third party online transaction platform for brands and warrants operated by Alibaba Group under the domain name 8.1688.com (or such other URLs as may be used by Lingshoutong, including but not limited to URLs used for the Internet on personal computers or mobile devices, as amended from time to time based on the business needs of Lingshoutong)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Logistics Annual Cap”	the annual cap for the service fees payable by the Group for the year ending March 31, 2019 under the Renewed Logistics Services Framework Agreement
“Logistics Services”	the logistics services provided under the Renewed Logistics Services Framework Agreement
“Logistics Services Framework Agreement”	the agreement dated June 28, 2017 entered into between the Company and Zhejiang Cainiao
“Merchant”	a legal entity which conducts sale of products or provision of services on Tmall
“Merchant Services”	the services provided by the Group under the Renewed Services Agreement
“mobile MAUs”	the number of unique mobile devices that were used to visit or access certain mobile applications at least once during a given month
“Perfect Advance”	Perfect Advance Holding Limited, a company incorporated in the British Virgin Islands and an indirect non-wholly-owned Subsidiary of Alibaba Holding
“Platform Services”	the services provided under the Renewed Services Framework Agreement
“PRC” or “China”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region and Taiwan
“Relevant Categories”	certain product categories or services offered in the Tmall Pharmaceutical and Healthcare e-Commerce Business, namely (i) over-the-counter drugs, refined Chinese medicines such as Chinese medicinal drinks, medical devices, contact lenses and solutions, sexual health and family planning products, prescription drugs and medical and health services, traditional nutritional products, food supplements, dietary nutritional supplements on Tmall, which, for the avoidance of doubt, excludes all categories of products or services sold on or through Tmall Global, and (ii) food supplements, dietary nutritional supplements, offered on Tmall Supermarket
“Renewed Logistics Services Framework Agreement”	the agreement dated February 14, 2018 entered into between the Company and Hangzhou Cainiao in relation to the provision of the Logistics Services by Cainiao Group to the Group

DEFINITIONS

“Renewed Services Agreement”	the agreement dated February 14, 2018 entered into between Alibaba Health Technology (China) and the Tmall Entities in relation to the provision of the Merchant Services by Alibaba Health Technology (China) to the Tmall Entities
“Renewed Services Framework Agreement”	the agreement dated February 14, 2018 entered into between the Company and the AGH Contracting Parties in relation to the provision of the Platform Services by the AGH Relevant Entities to the Group
“Renewed Shared Services Agreement”	the agreement dated February 14, 2018 entered into between the Company and Alibaba Holding in relation to the provision of Shared Services by Alibaba Holding to the Group
“RMB”	Renminbi, the lawful currency of the PRC
“Rural Taobao”	Alibaba Group’s program to pioneer a two-way distribution infrastructure to connect commerce between cities and rural areas in the PRC
“Services Agreement”	the agreement dated March 10, 2017 entered into between Alibaba Health Technology (China) and the Tmall Entities
“Services Framework Agreement”	the agreement dated December 31, 2016 entered into between the Company and the AGH Contracting Parties
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“SGM”	the special general meeting of the Company to be convened for the Independent Shareholders to consider and vote on each of the 2019 CCT Agreements
“Shared Services”	the services to be provided by Alibaba Service Providers under the Renewed Shared Services Agreement
“Shared Services Agreement”	the agreement dated July 3, 2017 entered into between the Company and Alibaba Holding
“Shared Services Annual Cap”	the annual cap for the services fees payable by the Group for the year ending March 31, 2019 under the Renewed Shared Services Agreement
“Shareholder(s)”	holder(s) of the Share(s)
“Shares”	ordinary shares of par value HK\$0.01 each in the share capital of the Company

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	includes, in relation to any person: (i) any company or business entity of which that person owns or Controls (either directly or through one or more other subsidiaries) more than 50% of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or business entity; (ii) any company or business entity of which that person owns or controls (either directly or through one or more other subsidiaries, by contract or otherwise) not more than 50% of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or business entity but effectively controls (either directly or through one or more other Subsidiaries) the management or the direction of business operations of such company or business entity; and (iii) any company or business entity which at any time has its accounts consolidated with those of that person or which, under Hong Kong law or any other applicable law, regulations or the Hong Kong Financial Reporting Standards or such other generally accepted accounting principles or standards as may be applicable to that person from time to time, should have its accounts consolidated with those of that person
“Taobao China”	Taobao China Holding Limited (淘寶中國控股有限公司), a limited liability company incorporated in Hong Kong and an indirect wholly-owned Subsidiary of Alibaba Holding
“Taobao Platforms”	the online platforms for brands and retailers operated by Alibaba Group, including but not limited to Taobao.com, Tmall.com, Etao.com and Juhuasuan.com
“Tmall”	a third party online platform for brands and retailers operated by Alibaba Group under the domain name Tmall.com (or such other URLs as may be used by Tmall, including but not limited to URLs used for internet on personal computers or mobile devices, as amended from time to time based on the business needs of Tmall)
“Tmall Annual Cap”	the annual cap for the service fees payable to the Group for the year ending March 31, 2019 under the Renewed Services Agreement
“Tmall Entities”	Tmall Technology and Tmall Network, collectively

DEFINITIONS

“Tmall Global”	a third party online transaction platform for brands and retailers operated by Alibaba Group under the domain name Tmall.hk (or such other URLs as may be used by Tmall Global, including but not limited to URLs used for the Internet on personal computers or mobile devices, as amended from time to time based on the business needs of Tmall Global)
“Tmall Network”	Zhejiang Tmall Network Co., Ltd.* (浙江天貓網絡有限公司), a company established in the PRC with limited liability and ultimately Controlled by Alibaba Holding
“Tmall Pharmaceutical and Healthcare e-Commerce Business”	the pharmaceutical and healthcare products and services e-commerce business of Tmall and Tmall Supermarket
“Tmall Supermarket”	a supermarket category operated by Tmall for fresh produce, food products and fast moving consumer goods
“Tmall Technology”	Zhejiang Tmall Technology Co., Ltd.* (浙江天貓技術有限公司), a company established in the PRC with limited liability and an indirect wholly-owned Subsidiary of Alibaba Holding
“Yiyebaping Services Agreement”	the advertising services agreement entered into between each of Hangzhou Lihe as the purchaser, Alimama as the advertising services provider and Alibaba Health Technology (China) as the agent
“Zhejiang Cainiao”	Zhejiang Cainiao Supply Chain Management Co., Ltd.* (浙江菜鳥供應鏈管理有限公司), a company established in the PRC with limited liability and an indirect non-wholly-owned Subsidiary of Alibaba Holding
“Zhitongche Services Agreements”	each of the advertising services agreements entered into between each of Alibaba Health (HK), Alibaba Health Pharmaceutical and Hangzhou Lihe as purchaser, respectively, and Alimama as the advertising services provider in respect of the advertising services using the Zhitongche Advertising Software
“Zuanshi Services Agreements”	each of the advertising services agreements entered into between each of Alibaba Health (HK), Alibaba Health Pharmaceutical and Hangzhou Lihe as purchaser, respectively, and Alimama as the advertising services provider
“%”	per cent

* *English name for identification purpose only.*

LETTER FROM THE BOARD



ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED
阿里健康信息技术有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00241)

Executive Director:

Mr. WANG Lei (*Chief Executive Officer*)

Non-executive Directors:

Mr. WU Yongming (*Chairman*)

Mr. KANG Kai

Ms. Zhang Yu

Independent Non-executive Directors:

Mr. YAN Xuan

Mr. LUO Tong

Mr. WONG King On, Samuel

Registered Office:

Canon's Court
22 Victoria Street
Hamilton, HM 12
Bermuda

*Head Office and Principal Place
of Business in Hong Kong:*

26/F Tower One
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

March 13, 2018

To the Shareholders

Dear Sir/Madam,

**RENEWAL OF NON-EXEMPT
CONTINUING CONNECTED TRANSACTIONS**

1. INTRODUCTION

We refer to the announcement of the Company dated February 14, 2018 in relation to the renewal of the non-exempt continuing connected transactions.

The purpose of this circular is to provide you with, among other things, (i) further details of the Renewed Services Framework Agreement, Renewed Services Agreement, Renewed Logistics Services Framework Agreement, Renewed Shared Services Agreement and Advertising Services Framework Agreement; (ii) the advice and recommendation of the Independent Board Committee; (iii) the advice and recommendation of the Independent Financial Adviser; and (iv) notice of the SGM.

LETTER FROM THE BOARD

References are made to (i) the announcement of the Company dated January 3, 2017 and the circular of the Company dated February 22, 2017 in respect of the Services Framework Agreement, (ii) the announcement of the Company dated March 10, 2017 and the circular of the Company dated March 14, 2017 in respect of the Services Agreement, (iii) the announcement of the Company dated June 28, 2017 in respect of the Logistics Services Framework Agreement, (iv) the announcement of the Company dated July 3, 2017 in respect of the Shared Services Agreement, (v) the announcement of the Company dated January 8, 2018 in respect of the Advertising Services Agreements, and (vi) the announcement of the Company dated November 21, 2017 and the circular of the Company dated January 10, 2018 in respect of the revision of annual caps in respect of the Services Framework Agreement, the Services Agreement, and the Logistics Services Framework Agreement.

Each of the CCT Agreements has expired or will expire on or before March 31, 2018 and it is currently expected that the transactions under the CCT Agreements will continue. On February 14, 2018, the Company and its relevant Subsidiaries entered into the 2019 CCT Agreements, each of which has a term commencing from the Effective Date and ending on March 31, 2019.

2. RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

2.1 PRINCIPAL TERMS OF THE 2019 CCT AGREEMENTS

A summary of the key terms of each 2019 CCT Agreement is set out below.

Renewed Services Framework Agreement

Date

February 14, 2018

Parties

- (1) The Company (for itself and on behalf of its Subsidiaries)
- (2) The AGH Contracting Parties (for themselves and on behalf of their Subsidiaries)

Duration

Subject to the approval by the Independent Shareholders at the SGM, the Renewed Services Framework Agreement will commence from the Effective Date and end on March 31, 2019, unless otherwise terminated in accordance with the terms thereunder.

LETTER FROM THE BOARD

Services to be provided

Pursuant to the Renewed Services Framework Agreement, the AGH Contracting Parties have agreed that the AGH Relevant Entities will provide to the Group the Platform Services including but not limited to Internet information related software technical services, bonus points system related software technical services, Internet information services, secondary domain name services, promotion and logistics related technical services, other related platform services, and other similar or related services. These services relate to the Group's use of various AGH Platforms, to sell healthcare-related products and services to consumers and businesses.

The AGH Relevant Entities shall provide the Platform Services to the Group in accordance with the standard terms and conditions as amended and published on the respective online platforms operated by the AGH Relevant Entities from time to time.

Service fees, pricing terms and payment terms

The service fees shall be calculated in accordance with the standard terms and conditions as amended and published on the respective online sales platforms operated by the respective entities from time to time. Currently, the service fees comprise the following components:

- (i) a standard rebatable annual fee designated by the relevant entity of the AGH Relevant Entities (different annual fees are applicable to different categories of products/services) (if applicable), currently being RMB30,000 per Tmall storefront and RMB60,000 per Tmall Global storefront for the year ending December 31, 2018;
- (ii) technical service fees calculated as a percentage of the value of sales of products or services sold by the Group on the AGH Platforms. Currently, the products and services sold by the Group at the relevant storefronts on the AGH Platforms are subject to a fee rate ranging from 2.5% to 7%;
- (iii) a joining fee in relation to participating in the promotional and marketing events launched on the AGH Platforms from time to time. The joining fee is determined with reference to the fixed fee with a current range from approximately RMB20,000 to RMB150,000 or bidded prices offered by the Group taking into account the commercial circumstances including the scale of the promotional event and comparable prices offered by other independent third parties and is settled in advance before the commencement of the relevant promotional event; and

LETTER FROM THE BOARD

- (iv) logistics service fees calculated as a percentage of the value of sales of products sold by the Group on the relevant AGH Platforms. Currently the products and services sold by the Group on the Lingshoutong platform are subject to a logistics service fee rate of 4%.

The technical service fees are determined by the fee rate applicable to the categories of the products or services sold by the Group, with reference to the fee tables published on the respective AGH Platforms from time to time. Currently, the products mainly sold by the Group are categorized into the personal care products, over-the-counter drugs, cosmetics products and medical devices categories, which are subject to the fee rate ranging from 2.5% to 7%, under the current fee tables. The fee tables published on the respective AGH Platforms are subject to adjustment and are typically revised annually by the AGH Relevant Entities.

The AGH Relevant Entities will ensure that the terms under which the Platform Services are provided to the Group are no less favorable than the general terms available to other independent third parties. The Company further confirmed that the general terms under which Platform Services provided to the Group are no less favourable than the general terms available from other independent third parties for the similar services. As the standard terms and conditions are amended and published on the respective online sales platforms operated by the AGH Relevant Entities, the Company will regularly check that the rates that it is charged is consistent with such published rates.

As the technical service fees to be charged for the sale of products and services on the respective online sales platforms is subject to change by the AGH Relevant Entities and is beyond the Group's control, the Company will seek Independent Shareholders' approval in the event that there is material change to the terms of the service fees including any material increase in the fee rate applicable to the products and services sold by the Group, as amended from time to time.

The designated annual fees shall be settled at the beginning of each calendar year and the technical service fees will be settled immediately after the sale of the relevant product(s) or service(s).

Renewed Services Agreement

Date

February 14, 2018

Parties

- (1) The Tmall Entities
- (2) Alibaba Health Technology (China)

LETTER FROM THE BOARD

Duration

Subject to the approval by the Independent Shareholders at the SGM, the Renewed Services Agreement will commence from the Effective Date and end on March 31, 2019, unless otherwise terminated in accordance with the terms thereunder.

Termination events

The Renewed Services Agreement shall automatically terminate upon the occurrence of any of the following events:

- (i) if any party is ordered or judged to be bankrupt, comes under receivership or enters into any plan or settlement proposal with its creditors or makes any transfer in the interests of its creditors;
- (ii) if the assets of any party are nationalized or requisitioned by any government or government department;
- (iii) if Alibaba Holding directly or indirectly holds less than 30% of the total issued share capital of the Company or ceases to be a “controlling shareholder” (as defined in the Listing Rules) of the Company; or
- (iv) if the monetary cap is exceeded during the term of the Renewed Services Agreement.

In the event of any dispute on the service fee that is not resolved within 60 days, either the Tmall Entities or Alibaba Health Technology (China) may terminate the Renewed Services Agreement by giving the other party/parties written notice of no less than 30 days.

If there is a material breach of the Renewed Services Agreement that has not been remedied after 30 days from the notice of such breach, the non-defaulting party/parties may terminate the Renewed Services Agreement with immediate effect.

Each of Alibaba Health Technology (China) and the Tmall Entities shall also have the right to terminate the Renewed Services Agreement by giving the other party/parties written notice of no less than 30 days.

LETTER FROM THE BOARD

Services to be provided

Pursuant to the terms of the Renewed Services Agreement, Alibaba Health Technology (China) agrees to provide the Tmall Entities with the following outsourced and value-added services in relation to the Relevant Categories:

- (i) Merchants' business development, including tracking market trends and policy updates. For example, the Group will update Merchants on any policy changes and provide analysis of how such changes might impact Merchants' business, and on trends to help Merchants identify opportunities or areas to focus on in their business;
- (ii) Merchant customer services, including providing helpline support for Merchants on the process of admission to Tmall and Tmall Supermarket and general operational questions; assisting Merchants in optimizing searches for their products through their product information display, collating and analyzing consumer behavior data, updating Merchants on any new business rules, upcoming marketing activities, business risks, as well as collecting feedback and suggestions from Merchants to improve overall services to Merchants. For example, the Group will assist Merchants to optimize searches for their products through using more intuitive or popular key words of product functions in the product names, increase cross-selling opportunities by analysing overall customer purchase trends and making customized recommendations to consumers and increase repeat custom by recommending certain promotions for repeat purchases. As part of the store design services, the Group can also provide tailored suggestions such as how to use banner designs to drive brand recognition, better placement of the latest promotions on the storefront to increase user clicks, and tab design based on functionality and to emphasize brand recognition;
- (iii) marketing event planning for Merchants, including planning and organizing marketing events for Merchants, organizing Merchants to participate in events, designing and building event webpage interfaces, planning customer discount programs and conducting consumer data analysis. For example, the Group will plan special marketing events around certain themes such as around hot and cold seasons, or at the same time as specific awareness days such as World Cancer Day or World Diabetes Day, as well as conduct consumer data analysis to provide feedback on the performance of the sales of products or services which Merchants have selected to participate in the marketing events as well as the amount of resultant traffic to the Merchants' stores;
- (iv) technical support, including providing technical support on product information display and store design, transaction completion processes, the use of payment tools, consumer service tools (such as the use of chat windows or complaints forms); and

LETTER FROM THE BOARD

- (v) assistance to the Tmall Entities' business team with: (a) Merchant admissions; (b) Merchants' business operations; (c) Merchant management; and (d) product quality control functions, including assisting with formulating rules that govern Merchants' operation, reviewing documents required for Merchants' admission and formulating and implementing quality control rules and conducting regular inspections.

The Tmall Entities will continue to have primary responsibility for all work and business decisions pertaining to the Merchant admissions, Merchants' business operations and product quality control functions, including signing and reviewing contracts with Merchants, reviewing product information and images displayed by the Merchants and providing the technology infrastructure, and Alibaba Health Technology (China) agrees to assist and execute business decisions made by the Tmall Entities.

Service fees and payment terms

The Tmall Entities shall pay the Group a service fee amounting to 21.5% of the fees paid by the Merchants to the Tmall Entities and/or their respective affiliates in respect of the value of completed sales of products or services under the Relevant Categories on Tmall and Tmall Supermarket. The service fee rate for the term of the Renewed Services Agreement is fixed and may not be adjusted.

The service fee shall be paid in cash on a quarterly basis. The service fee is determined by reference to, among other things, the operating costs expected to be incurred by the Group in providing the services including staff costs, forecast marketing and promotional activities and technical support expenses.

Renewed Logistics Services Framework Agreement

Date

February 14, 2018

Parties

- (1) The Company (for itself and on behalf of its Subsidiaries)
- (2) Hangzhou Cainiao (for itself and on behalf of its affiliates)

Duration

Subject to the approval by the Independent Shareholders at the SGM, the Renewed Logistics Services Framework Agreement will commence from the Effective Date and end on March 31, 2019, unless otherwise terminated in accordance with the terms thereunder.

LETTER FROM THE BOARD

Services to be provided

Pursuant to the Renewed Logistics Services Framework Agreement, Hangzhou Cainiao has agreed that the Cainiao Group will provide to the Group the Logistics Services including but not limited to warehouse operation and storage services, domestic and international delivery services, customs registration and clearance services, standard and special packaging services and other value-added and logistics services provided by the Cainiao Group from time to time. The Cainiao Group shall provide the Logistics Services to the Group in accordance with the standard terms and conditions as amended and published on the respective online platforms operated by the Cainiao Group from time to time.

Service fees, pricing terms and payment terms

The service fees shall be calculated and settled in accordance with the standard terms and conditions as amended and published on the respective online platforms operated by the Cainiao Group from time to time. As at the Latest Practicable Date, the service fees comprise the following:

- (i) storage fees, which are calculated based on the size and the turnover of the Group's goods stored in the Cainiao Group's warehouses and which are payable monthly. The current applicable storage fees are approximately RMB10 per cubic meter for each applicable day;
- (ii) basic service fees, including delivery fees, which are calculated based on the delivery route, size or the weight (whichever results in the higher rate) of the Group's goods being delivered by the Cainiao Group, and which are payable against each delivery order. The current applicable delivery fees per each parcel for overseas delivery range from approximately RMB20 to RMB55 for first kilogram and approximately RMB5 to RMB24 for each additional kilogram;
- (iii) value-added service fees, depending on the type of value-added services provided, which are calculated based on the quantity of the goods requiring the respective value-added services and are currently payable against each delivery order; and
- (iv) disbursement and other incidental costs arising from the Logistics Services such as tax paid on behalf of the Group by the Cainiao Group, which shall be calculated based on the actual amount of disbursement and are currently collected by the Cainiao Group against each delivery order.

The services fees (other than the storage fees which are settled monthly) are currently settled immediately against the completion of each delivery order.

LETTER FROM THE BOARD

Hangzhou Cainiao has undertaken to ensure that the terms under which the Logistics Services to be provided to the Group are no less favorable than the general terms available to other independent third parties in accordance with the respective standard agreements which are to be applicable to other merchants.

The Company will continue to check the service fees payable to Cainiao Group against the standard terms published on the respective platforms operated by Cainiao Group as well as against service fees for similar services provided by independent third parties to ensure such rates are in line with market pricing.

The Company will conduct regular checks to ensure that the rates charged are consistent with the rates published on the respective online platforms operated by Cainiao Group and will seek Independent Shareholders' approval in the event that there is material change to the terms of the service fees including any material increase in the fee rates applicable to the Logistics Services, as amended from time to time.

Renewed Shared Services Agreement

Date

February 14, 2018

Parties

- (1) Alibaba Holding
- (2) The Company

Duration

Subject to the approval by the Independent Shareholders at the SGM, the Renewed Shared Services Agreement will commence from the Effective Date to March 31, 2019, unless otherwise terminated in accordance with the terms thereunder.

Services to be provided, pricing terms and payment terms

The Shared Services, together with the respective bases of fee calculations, are detailed as follows:

<i>Description of the Shared Services</i>	<i>Basis for fee calculation</i>
1. Office premises sharing and support services	The fees for sharing of office premises to be calculated on a Prevailing Market Price Basis; the fees for office support services to be calculated on a Cost-plus Basis

LETTER FROM THE BOARD

<i>Description of the Shared Services</i>	<i>Basis for fee calculation</i>
2. Customer service support services	Service fees to be calculated on a Cost-plus Basis
3. Operational support services, mid-office system support services, IT system and online platform maintenance related services	Service fees to be calculated on a Cost-plus Basis
4. SMS platform services	Service fees to be calculated on a Cost-plus Basis
5. Legal corporate secretarial, finance, human resources and administrative services	Service fees to be calculated on a Cost-plus Basis
6. Business intelligence (BI) support services	Service fees to be calculated on a Cost-plus Basis
7. User experience design (UED) support services	Service fees to be calculated on a Cost-plus Basis
8. Offline open data processing services (ODPS)	Service fees to be calculated on a Cost-plus Basis

In this paragraph:

“**Prevailing Market Price Basis**” means the fees for relevant Shared Services shall be determined by the prevailing market price for such services. It is expected that the parties will refer to prevailing rental rates for comparable premises available from public sources and real estate agencies to determine the fees for sharing of office premises.

“**Cost-plus Basis**” means the fees for the relevant Shared Services shall be calculated by multiplying the actual costs for the provision of such services by a margin with a current range from approximately 1.8% to 15.0%, which is subject to annual review and shall be determined by one of the four largest international professional accounting firms as designated by Alibaba Holding, with reference to the applicable tax laws and regulations, comparable transactional information, and in accordance with the principles of arm’s length transactions.

The service fees payable by the Group pursuant to the Renewed Shared Services Agreement shall be billed and settled in cash on a quarterly basis.

LETTER FROM THE BOARD

Advertising Services Framework Agreement

Date

February 14, 2018

Parties

- (1) The Company (for itself and on behalf of its Subsidiaries)
- (2) Alimama (for itself and on behalf of its Subsidiaries and affiliates)

Duration

Subject to the approval by the Independent Shareholders at the SGM, the Advertising Services Framework Agreement will commence from the Effective Date and end on March 31, 2019, unless otherwise terminated in accordance with the terms thereunder.

Services to be provided

The Group shall engage Alimama Group to provide the Advertising Services, including but not limited to, the display of advertisements on the various platforms supported by Alimama Group, including the Taobao Platforms or other third party platforms from time to time in accordance with the standard terms and conditions as amended and published on the relevant online platforms operated by Alimama Group. The Group shall pay Alimama Group the advertising fees.

Service fees, pricing terms and payment terms

The service fees shall be calculated in accordance with the underlying standard advertising services agreements and the standard terms and conditions as amended and published on the respective online platforms operated by Alimama Group from time to time. As at the Latest Practicable Date, the Advertising Services comprise the following services:

- (i) CPM (cost per impression) model advertising services. Advertisements are displayed on the various platforms operated by Alibaba Group and other third parties and Alimama Group charges advertising fees each time the advertisement is displayed, i.e. a unit price for every 1,000 impressions served. The unit prices of certain CPM model advertisements are fixed while the unit prices of other advertisements are determined through an auction system. Where the auction system applies, the Group offers bid prices for the relevant advertisement spaces taking into account the commercial circumstances and comparable prices offered by other independent third party advertisers on other advertising platforms. Alimama Group's systems automatically accepts the highest bids for each advertising space where the auction

LETTER FROM THE BOARD

process is used. The fixed prices currently charged by Alimama and the bid prices currently offered by the Group which have been accepted under the CPM model range from RMB15 to RMB100 per 1,000 impressions, depending on the designated space, size, advertising format, timing and targeted users;

- (ii) CPC (cost per click) model advertising services. Advertisements are displayed on the various platforms operated by Alibaba Group and other third parties and Alimama Group charges advertising fees each time a user clicks on the displayed advertisement. The unit prices for CPC model advertisements are determined through an auction system, under which the Group offers bid prices for the relevant advertisement spaces taking into account the commercial circumstances and comparable prices offered by other independent third party advertisers on other advertising platforms. Alimama Group's systems automatically accepts the highest bids for each advertising space where the auction process is used. The bid prices currently offered by the Group which have been accepted under the CPC model range from RMB2 to RMB10 per click, depending on the size, advertising format and timing of the advertisement; and
- (iii) Project-based advertising services. Alimama Group provides project-based advertising campaign services, whereby it offers advertisements on its advertising platforms for a certain advertising period. Alimama charges advertising fees based on a CPM model or a cost per time (CPT) model (i.e. advertising fees are charged based on the amount of time displayed) and the estimated page views. The specific location, timing and frequency of the advertisements displayed on various platforms during the period will be determined by Alimama Group.

The Company will conduct regular checks to ensure that the rates charged are consistent with the rates published on the respective online platforms operated by Alimama Group and will seek Independent Shareholders' approval in the event that there is material change to the terms of the service fees including any material increase in the fee rates applicable to the Advertising Services, as amended from time to time.

LETTER FROM THE BOARD

2.2 HISTORICAL AMOUNTS AND BASIS FOR DETERMINING THE ANNUAL CAPS AMOUNTS

The historical transaction amounts for the year ended March 31, 2017, the approximate transaction amounts for the ten months ended January 31, 2018 based on the management accounts and the proposed annual caps relating to each of the 2019 CCT Agreements are set out below:

	Approximate historical amounts for the year ended March 31, 2017 (RMB)	Approximate unaudited transaction amounts for the ten months ended January 31, 2018 based on management accounts (RMB)	Annual caps for the year ended March 31, 2017 (RMB)	Existing annual caps for the year ending March 31, 2018 (RMB)	Proposed annual caps for the year ending March 31, 2019 (RMB)
Renewed Services Framework Agreement	12,653,000	60,599,000	15,000,000	80,000,000	229,000,000
Renewed Services Agreement	42,301,000	103,387,000	60,000,000	130,000,000	241,000,000
Renewed Logistics Services Framework Agreement	957,000	19,665,000	N/A	26,000,000	59,000,000
Renewed Shared Services Agreement	3,440,000	14,981,000	N/A	23,000,000	42,000,000
Advertising Services Framework Agreement	32,000	6,752,000	N/A	10,000,000	54,000,000

The AGH Annual Cap was determined with reference to (i) the historical transaction amounts under the existing agreement, (ii) the significant increase of more than 400% of the transaction amount for the ten months ended January 31, 2018 compared to that for the year ended March 31, 2017, (iii) the expected sales of products during the coming financial year following the year-on-year growth trend and boosted by the Group's increased marketing effort, (iv) the products and services that the Group intends to feature on the AGH Relevant Entities' platforms of which the number of types of products to be featured is expected to be approximately 60% more than that for the year ending March 31, 2018, and (v) the potential of the future development of online healthcare products and services business in the PRC as shown

LETTER FROM THE BOARD

by the rapid growth of the GMV for Tmall physical goods which recorded 43% year-on-year increase for the quarter ended December 31, 2017 and rapid increase is expected in the GMV for pharmacy and healthcare e-commerce businesses.

Similarly, the Logistics Annual Cap was determined with reference to (i) the historical transaction amounts under the existing agreement, (ii) the significant increase of more than 20 times of the transaction amount for the ten months ended January 31, 2018 compared to the year ended March 31, 2017, (iii) the expected sales of the products during the coming financial year following the year-on-year growth trend and boosted by the Group's increased marketing effort, (iv) the products and services that the Group intends to feature on the Tmall Global platform of which the number of types of products to be featured is expected to be approximately 25% more than that for the year ending March 31, 2018, and (v) the potential of the future development of online healthcare products and services business in the PRC as shown by the rapid growth of the GMV for Tmall physical goods which recorded 43% year-on-year increase for the quarter ended December 31, 2017 and rapid increase is expected in the GMV for pharmacy and healthcare e-commerce businesses.

The Tmall Annual Cap was determined with reference to (i) the historical transaction amounts under the existing agreement, (ii) the significant increase of more than 240% of the transaction amount for the ten months ended January 31, 2018 compared to that for the year ended March 31, 2017, (iii) the Company's projections for the Relevant Categories for the year ending March 31, 2019 based on projections for the growth of the corresponding business and the overall healthcare market in the PRC is expected to be following the year-on-year growth trend, and (iv) the Company's increased marketing efforts in relation to enhancing the services that the Company seeks to continue providing for the pharmaceutical and healthcare products and services e-commerce business of Tmall.

The Shared Services Annual Cap was determined primarily based on (i) the expected growth of the Group's businesses and the resulting increase in demand for the Shared Services, (ii) the historical transaction amount of service fees paid by the Group for the Shared Services, (iii) the significant increase of more than 400% of the transaction amount for the ten months ended January 31, 2018 compared to the year ended March 31, 2017, (iv) the prevailing market rates for comparable services offered by other service providers or the estimated costs that would be incurred by the Company in hiring personnel to provide the Shared Services internally (as applicable), and (v) where the fees are calculated based on prevailing rates charged by the relevant Alibaba Service Providers to independent third party users, the current prevailing rates for such services charged by the relevant Alibaba Service Providers.

The Advertising Annual Cap was determined with reference to (i) the historical transaction amounts incurred under the existing agreements in respect of the Advertising Services and (ii) the significant increase of more than 200 times of the transaction amount for the ten months ended January 31, 2018 compared to that for the year ended March 31, 2017, (iii) the increase of products and services that the Group intends to feature on the online platforms of which the number of types of

LETTER FROM THE BOARD

products to be featured is expected to be approximately 60% more than that for the year ending March 31, 2018, (iv) the Group's increased effort on marketing and promotion campaigns to boost sales for the financial year ending March 31, 2019 which is made with reference to the expected sales of the products during the coming financial year.

The Directors, including the independent non-executive Directors, consider that the proposed annual caps under each 2019 CCT Agreement are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

2.3 INTERNAL CONTROLS FOR THE GROUP'S CONTINUING CONNECTED TRANSACTIONS

As previously disclosed, the Company has adopted adequate internal control measures to comply with the Listing Rules requirements with respect to the supervision and monitoring of the annual caps of the transactions contemplated under the 2019 CCT Agreements. The finance department of the Company has been collecting and will continue to collect information on the actual transactions conducted with the relevant parties, and the corresponding services fees incurred on the Platform Services, the Logistics Services, the Merchant Services, the Shared Services and the Advertising Services on a weekly, bi-weekly, bi-weekly, monthly and monthly basis, respectively, and has been updating such information to the legal department and the chief financial officer of the Company, to monitor these transaction amounts. The operations department of the Company has been collecting and will continue to collect information of the rates published on the respective online platforms operated by the counter parties of the 2019 CCT Agreements where applicable and the pricing terms of similar services provided by other independent third parties (as the case may be) on a quarterly basis. They will report to the legal department and the chief financial officer of the Company in the event that there is any discrepancy in the pricing terms against those under the relevant 2019 CCT Agreements to ensure the continuing connected transactions are conducted in accordance with the pricing policies set out in the relevant agreements.

The Company will continue to closely monitor the implementation of the 2019 CCT Agreements and take prompt action to make necessary disclosure and obtain Independent Shareholders' approval in the event that any adjustment to an annual cap becomes foreseeable.

The Company's external auditors will review the continuing connected transactions under each 2019 CCT Agreement annually to check and confirm (among others) whether the pricing terms have been adhered to and whether the relevant caps have been exceeded. The AGH Contracting Parties, the Tmall Entities, Hangzhou Cainiao, Alibaba Holding and Alimama have respectively agreed to allow the Company and its external auditors to access the information necessary to report on the non-exempt continuing connected transactions contemplated under the respective 2019 CCT Agreement.

LETTER FROM THE BOARD

The independent non-executive Directors will review the continuing connected transactions under the 2019 CCT Agreements annually to check and confirm whether such continuing connected transactions have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company (including the regular monitoring and reporting of the corresponding services fees and pricing terms as mentioned above) are adequate and effective to ensure that such continuing connected transactions are conducted in accordance with the pricing policies set out in such relevant agreements.

2.4 INFORMATION ABOUT THE PARTIES

The Company

The Company was incorporated in Bermuda and the Shares are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and the Group is committed to providing Internet technology, service tools and platforms to industry partners, with the aim of providing accessible and affordable medical and healthcare services to the public so as to make good health achievable at the fingertips. The principal activities of the Group comprise pharmaceutical e-commerce, intelligent medicine business and the operation of product tracking platforms in the PRC.

The AGH Contracting Parties

Alibaba Holding is a company incorporated in the Cayman Islands and its American depository shares are listed on the New York Stock Exchange. Alibaba Group's mission is to make it easy to do business anywhere. It is the largest retail commerce company in the world in terms of GMV in the twelve months ended March 31, 2017 on the basis of publicly available comparable transaction value data for the most recent fiscal year. Founded in 1999, Alibaba Group provides the fundamental technology infrastructure and marketing reach to help merchants, brands and other businesses to leverage the power of the Internet to engage with their users and customers.

Alibaba Group's businesses are comprised of core commerce, cloud computing, digital media and entertainment and innovation initiatives and others.

The Tmall Entities

Tmall Network is a company established in the PRC with limited liability and is controlled by an indirect Subsidiary of Alibaba Holding, which is principally engaged in the operation of Tmall. Tmall Technology is a company established in the PRC with limited liability and an indirect wholly-owned Subsidiary of Alibaba Holding, which is principally engaged in the provision of software and technology services for Tmall.

LETTER FROM THE BOARD

Tmall was launched by Alibaba Group in 2008 as an online platform featuring brands and retailers with each seller having a uniquely identifiable online storefront. Tmall caters to online and mobile consumers looking for branded products and a premium shopping experience. It is a trusted platform for consumers to buy both homegrown and international branded products and products that are not available in traditional retail outlets. Brands and retailers operate their own stores on the Tmall platform with unique brand identities and look and feel, accompanied by full control over their own branding and merchandising. A large number of international and Chinese brands and retailers have established storefronts on Tmall. Alibaba Group operates its China retail marketplaces comprising Taobao Marketplace, a mobile commerce destination, and Tmall, a B2C platform. Alibaba Group's China retail marketplaces had approximately 515 million annual active consumers (formerly annual active buyers) in the 12 months ended December 31, 2017. In the month ended December 31, 2017, the various mobile apps that consumers use to access Alibaba Group's China retail marketplaces had approximately 580 million mobile MAUs.

Hangzhou Cainiao

Hangzhou Cainiao was established in the PRC with limited liability and is an indirect non-wholly-owned Subsidiary of Alibaba Holding. It is primarily engaged in provision of data-driven logistics solutions and a supply chain platform in the PRC to merchants, buyers and other logistics companies. Hangzhou Cainiao is committed to provide merchants and buyers timely and comprehensive logistics services and real-time logistics information.

Alimama

Alimama operates Alibaba Group's marketing technology platform, through which it provides the publisher-side serving and demand-side functionalities for merchants and brands to place various marketing formats on Alibaba Group's marketplaces and other third-party properties.

2.5 REASONS FOR ENTERING INTO THE 2019 CCT AGREEMENTS

As previously disclosed by the Company, the Company's mission is to build an online community where it will connect participants in China's healthcare market. In respect of the Renewed Services Framework Agreement, the Company believes that by marketing and selling products or services on online sales platforms operated by the AGH Relevant Entities in relation to the Platform Services, it will be able to reach out to more customers and improve its understanding of their needs.

Similarly, in respect of the Renewed Logistics Services Framework Agreement, as the Company has been marketing and selling products or services online, it requires efficient and reliable logistics services to enable its products to be safely and promptly delivered to its customers. Accordingly, the Company entered into the Renewed

LETTER FROM THE BOARD

Logistics Services Framework Agreement with Hangzhou Cainiao, which is a well-established domestic and international logistics service solutions provider, to provide efficient and reliable logistics solutions to deliver its products to its customers.

In respect of the Renewed Services Agreement, the Merchant Services remain within the existing skill set of the Group given that it has been developing its own website, mobile APP, O2O pharmacy business and network hospital. The service fees received under the Renewed Services Agreement will continue to be one of the steady growing sources of revenue for Alibaba Health. Together with the rapid growth of Alibaba Health's self-operated B2C online pharmacy and Ma Shang Fang Xin tracking platform core businesses, as well as given the potential of such innovative new businesses as intelligent healthcare and health management services, the Merchant Services provided under the Renewed Services Agreement serves as another source of revenue of the Group.

In respect of the Renewed Shared Services Agreement, since Alibaba Group's businesses are comprised of core commerce, cloud computing, digital media and entertainment, innovation initiatives and others, some of which are complementary to the Group's pharmaceutical e-commerce, intelligent medicine and product tracking platforms businesses, it can help enhance utilization and economies of scale of Alibaba Group's operational support resources and, on the other hand, reduce the management and administrative costs of the Group in procuring similar services from a wide range of other providers. The Company believes that the Renewed Shared Services Agreement will allow the Company to better leverage on the mature infrastructure and coverage already built by Alibaba Group and promote better cooperation between Alibaba Group and the Company. In addition, the fees payable for each type of the Shared Services are determined based on prevailing market prices or on a cost-plus basis, in which any margin shall be decided annually by internationally recognized professional parties based on applicable tax laws and comparable transactional information. Furthermore, the Company will from time to time review the terms of the services contemplated under the Renewed Shared Services Agreement against the terms and services offered by third party providers and re-assess the commercial desirability of such arrangements.

In respect of the Advertising Services Framework Agreement, the Group has identified the need for coordinated marketing and Advertising Services for the promotion of its products on various e-commerce platforms. The Group believes that the advertising services and resources provided by Alimama is an effective marketing tool and will enable the Group to reach out to more customers and boost the sales of the Group's products. Seeing the success of the Advertising Services provided by Alimama on the Group's sales for the past months, the Group intends to allocate more resources in advertising services provided by Alimama going forward and considers that the entering into of the Advertising Services Framework Agreement would facilitate the administration of the purchase of Advertising Services by the Group.

LETTER FROM THE BOARD

The Directors, including the independent non-executive Directors, consider that the transactions under the 2019 CCT Agreements will be conducted in the ordinary and usual course of business of the Group, and that the terms of the 2019 CCT Agreements are on normal commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2.6 LISTING RULES IMPLICATIONS

Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Holding is the ultimate majority shareholder of Perfect Advance. As Alibaba Holding directly or indirectly Controls or is the ultimate shareholder of each of Alimama, the AGH Relevant Entities and the Tmall Entities, each of Alimama, the AGH Relevant Entities and the Tmall Entities is a connected person of the Company. As Hangzhou Cainiao is an indirect non-wholly-owned Subsidiary of Alibaba Holding, each of the members of the Cainiao Group is also a connected person of the Company.

Since one or more of the applicable percentage ratios in respect of each of the annual caps under each of the 2019 CCT Agreements is higher than 5%, the transactions contemplated under each of 2019 CCT Agreements are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has established an Independent Board Committee comprising all the independent non-executive Directors to advise the Independent Shareholders in connection with the entering into of each 2019 CCT Agreement. The Company has also appointed an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on this matter.

As Mr. WU Yongming, Mr. KANG Kai and Ms. ZHANG Yu are employees of Alibaba Holding or its Subsidiaries, each of these Directors is deemed or may be perceived to have a material interest in the transactions under the 2019 CCT Agreements. Accordingly, they abstained from voting on the resolutions in connection with the continuing connected transactions under the 2019 CCT Agreements.

2.7 INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Company has established an Independent Board Committee comprising all the independent non-executive Directors to advise the Independent Shareholders in connection with the approval for the 2019 CCT Agreements and the continuing connected transactions contemplated thereunder. Platinum has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the 2019 CCT Agreements are fair and reasonable and in the interests of the Company so far as the Independent

LETTER FROM THE BOARD

Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the SGM.

The letter from the Independent Board Committee to the Independent Shareholders is set out on pages 30 to 31 of this circular. The letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 32 to 66 of this circular.

3. RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the proposed resolutions set out in the notice of the SGM are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the proposed resolutions.

4. GENERAL

Your attention is drawn to the general information set out in the Appendix to this circular.

5. SGM AND PROXY ARRANGEMENT

The notice of the SGM is set out on pages 72 to 74 of this circular. At the SGM, resolutions will be proposed to approve the 2019 CCT Agreements and the continuing connected transactions contemplated thereunder. Any Shareholder with a material interest in the Revised Annual Caps and his/her/its associates shall abstain from voting on the resolutions approving the same. To the best knowledge, belief and information of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, each of Perfect Advance and Ali JK holds a total of 4,420,628,008 Shares and 1,629,925,000 Shares respectively, representing approximately 44.97% and 16.58%, respectively of the issued share capital of the Company. Each of Perfect Advance and Ali JK and their associates, shall abstain from voting in relation to the ordinary resolutions to be put forward at the SGM for the purpose of approving the 2019 CCT Agreements.

Apart from the above, none of the Shareholders has a material interest in the Revised Annual Caps, and therefore no other Shareholder is required to abstain from voting on the proposed resolutions approving the same.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the proposed resolutions will be put to vote by way of poll at the SGM.

An announcement on the poll vote results will be made by the Company after the SGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

A form of proxy for use at the SGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.irasia.com/listco/hk/alihealth>). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited at the Company's Hong Kong branch share registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the SGM if you so wish.

By Order of the Board

WANG Lei

Chief Executive Officer and Executive Director



ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED
阿里健康信息技术有限公司
(Incorporated in Bermuda with limited liability)
(Stock code: 00241)

March 13, 2018

To the Independent Shareholders

Dear Sir or Madam,

**RENEWAL OF NON-EXEMPT
CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company dated March 13, 2018 to its Shareholders of which this letter forms part. Terms defined in the circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise you in relation to each of the 2019 CCT Agreements and the continuing connected transactions contemplated thereunder; whether the terms of each of the 2019 CCT Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and how to vote on the resolutions regarding each of the 2019 CCT Agreements and the continuing connected transactions contemplated thereunder, taking into account the recommendations from the Independent Financial Adviser.

Platinum Securities Company Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of each of the 2019 CCT Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote on the relevant resolutions.

Your attention is drawn to:

- (a) the letter from the Board set out on pages 9 to 29 of this circular which contains its recommendation to the Independent Shareholders and the additional information set out in the Appendix to this circular; and
- (b) the letter from the Independent Financial Adviser set out on pages 32 to 66 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders, together with the principal factors and reasons taken into consideration in arriving at such advice.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the advice from the Independent Financial Adviser, we are of the view that the terms of each of the 2019 CCT Agreements are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group, and the proposed annual caps thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the 2019 CCT Agreements and the continuing connected transactions to be proposed at the SGM.

Yours faithfully,
Independent Board Committee
**Mr. YAN Xuan, Mr. LUO Tong and
Mr. WONG King On, Samuel**
Independent Non-Executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2019 CCT Agreements for the purpose of incorporation into this circular.



PLATINUM Securities Company Limited

21/F LHT Tower
31 Queen's Road Central
Hong Kong

Telephone (852) 2841 7000

Facsimile (852) 2522 2700

Website www.platinum-asia.com

March 13, 2018

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the continuing connected transactions contemplated under the (i) Renewed Services Framework Agreement; (ii) Renewed Services Agreement; (iii) Renewed Logistics Services Framework Agreement; (iv) Renewed Shared Services Agreement; and (v) Advertising Services Framework Agreement (collectively, the “**2019 Continuing Connected Transactions**”). Details of the 2019 CCT Agreements are contained in the circular of the Company dated March 13, 2018 (the “**Circular**”). Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of each of the 2019 CCT Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to give independent advice to the Independent Board Committee and the Independent Shareholders.

In formulating our opinion, we have relied on the information and facts supplied to us by the Directors and/or management of the Company. We have reviewed, among other things:

- (i) the 2019 CCT Agreements;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) the announcements of the Company dated January 3, 2017, March 10, 2017, June 28, 2017, July 3, 2017, November 21, 2017, January 8, 2018 and February 14, 2018;
- (iii) the circulars of the Company dated February 22, 2017, March 14, 2017 and January 10, 2018;
- (iv) the annual report of the Company for the financial year ended March 31, 2017 (“**2017 Annual Report**”);
- (v) the interim report of the Company for the six months ended September 30, 2017 (“**2017 Interim Report**”); and
- (vi) the Company’s internal controls guidelines related to the 2019 CCT Agreements.

We have assumed that all information, facts, opinions and representations contained in the Circular and all information, statements and representation provided to us by the Directors and/or the management of the Company, which we have relied on, are true, complete and accurate and not misleading in all material respects as at the date hereof. The Directors have confirmed that they take full responsibility for the contents of the Circular and have made all reasonable inquiries that no material facts have been omitted from the information supplied to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other matters not contained in the Circular, the omission of which would make any statement in the Circular misleading or deceptive.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in the Circular and of the information and representations provided to us by the Directors and/or management of the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Directors and/or management of the Company which have been provided to us. In line with normal practice, we have not conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Company. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the 2019 Continuing Connected Transactions.

During the past two years, Mr. Li Lan, for and on behalf of Platinum Securities Company Limited, had signed the opinion letter from the Independent Financial Adviser contained in the Company’s circular dated June 12, 2017 in respect of the proposed acquisition of Ali JK Nutritional Products Holding Limited and the entering of the framework technical services agreement with the Tmall Entities and the Company’s circular dated January 10, 2018 in respect of the revised annual caps. The past engagements were

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

limited to providing independent advisory services to the independent board committee and the independent shareholders of the Company pursuant to the Listing Rules. Under the past engagements, Platinum Securities Company Limited received a normal professional fee from the Company. Notwithstanding the past engagements, as at the Latest Practicable Date, we were independent from, and were not associated with the Company or any other party to the 2019 Continuing Connected Transactions, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules and accordingly, are considered eligible to give independent advice on the 2019 Continuing Connected Transactions. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the 2019 Continuing Connected Transactions. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the 2019 Continuing Connected Transactions or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

The Independent Board Committee, comprising Mr. YAN Xuan, Mr. LUO Tong and Mr. WONG King On, Samuel has been established to advise the Independent Shareholders as to whether the terms of each of the 2019 CCT Agreements are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group, and the proposed annual caps thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors:

1. Background of the 2019 CCT Agreements

References are made to (i) the announcement of the Company dated January 3, 2017 and the circular of the Company dated February 22, 2017 in respect of the Services Framework Agreement, (ii) the announcement of the Company dated March 10, 2017 and the circular of the Company dated March 14, 2017 in respect of the Services Agreement, (iii) the announcement of the Company dated June 28, 2017 in respect of the Logistics Services Framework Agreement, (iv) the announcement of the Company dated July 3, 2017 in respect of the Shared Services Agreement, (v) the announcement of the Company dated January 8, 2018 in respect of the Advertising Services Agreements, and (vi) the announcement of the Company dated November 21, 2017 and the circular of the Company dated January 10, 2018 in respect of the revision of annual caps in respect of the Services Framework Agreement, the Services Agreement, and the Logistics Services Framework Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Each of the CCT Agreements has expired or will expire on or before March 31, 2018 and it is currently expected that the transactions under the CCT Agreements will continue. On February 14, 2018, the Company and its relevant Subsidiaries entered into the 2019 CCT Agreements, each of which has a term commencing from the Effective Date and ending on March 31, 2019.

Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Holding is the ultimate majority shareholder of Perfect Advance. As Alibaba Holding directly or indirectly controls or is the ultimate majority shareholder or sole shareholder of each of Alimama, the AGH Relevant Entities and the Tmall Entities, each of Alimama, the AGH Relevant Entities and the Tmall Entities is a connected person of the Company. As Hangzhou Cainiao is an indirectly non-wholly-owned Subsidiary of Alibaba Holding, each of the members of the Cainiao Group is also a connected person of the Company.

Since one or more of the applicable percentage ratios in respect of each of the annual caps under each of the 2019 CCT Agreements is higher than 5%, the transactions contemplated under each of 2019 CCT Agreements are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Information on the Company, the AGH Contracting Parties, the Tmall Entities, Hangzhou Cainiao and Alimama

Information on the Company

The Company was incorporated in Bermuda and the Shares are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and the Group is committed to providing Internet technology, service tools and platforms to industry partners, with the aim of providing accessible and affordable medical and healthcare services to the public so as to make good health achievable at the fingertips. The principal activities of the Group comprise pharmaceutical e-commerce, intelligent medicine business and the operation of product tracking platforms in the PRC.

Information on the AGH Contracting Parties

Alibaba Holding is a company incorporated in the Cayman Islands and its American depositary shares are listed on the New York Stock Exchange. Alibaba Group's mission is to make it easy to do business anywhere. It is the largest retail commerce company in the world in terms of GMV in the twelve months ended March 31, 2017 on the basis of publicly available comparable transaction value data for the most recent fiscal year. Founded in 1999, Alibaba Group provides the fundamental technology infrastructure and marketing reach to help merchants, brands and other businesses to leverage the power of the Internet to engage with their users and customers.

Alibaba Group's businesses are comprised of core commerce, cloud computing, digital media and entertainment and innovation initiatives and others.

Information on the Tmall Entities

Tmall Network is a company established in the PRC with limited liability and is controlled by an indirect Subsidiary of Alibaba Holding, which is principally engaged in the operation of Tmall. Tmall Technology is a company established in the PRC with limited liability and an indirect wholly-owned Subsidiary of Alibaba Holding, which is principally engaged in the provision of software and technology services for Tmall.

Tmall was launched by Alibaba Group in 2008 as an online platform featuring brands and retailers with each seller having a uniquely identifiable online storefront. Tmall caters to online and mobile consumers looking for branded products and a premium shopping experience. It is a trusted platform for consumers to buy both homegrown and international branded products and products that are not available in traditional retail outlets. Brands and retailers operate their own stores on the Tmall platform with unique brand identities and look and feel, accompanied by full control over their own branding and merchandising. A large number of international and Chinese brands and retailers have established storefronts on Tmall. Alibaba Group operates its China retail marketplaces comprising Taobao Marketplace, a mobile commerce destination, and Tmall, a B2C platform. Alibaba Group's China retail marketplaces had approximately 515 million annual active consumers (formerly annual active buyers) in the 12 months ended December 31, 2017. In the month ended December 31, 2017, the various mobile apps that consumers use to access Alibaba Group's China retail marketplaces had approximately 580 million mobile MAUs.

Information on Hangzhou Cainiao

Hangzhou Cainiao was established in the PRC with limited liability and is an indirectly non-wholly-owned Subsidiary of Alibaba Holding. It is primarily engaged in provision of data-driven logistics solutions and a supply chain platform in the PRC to merchants, buyers and other logistics companies. Hangzhou Cainiao is committed to provide merchants and buyers timely and comprehensive logistics services and real-time logistics information.

Information on Alimama

Alimama operates Alibaba Group's marketing technology platform, through which it provides the publisher-side serving and demand-side functionalities for merchants and brands to place various marketing formats on Alibaba Group's marketplaces and other third-party properties.

3. Principal terms of the 2019 CCT Agreements

3.1. Renewed Services Framework Agreement

Date

February 14, 2018

Parties

- (1) The Company (for itself and on behalf of its Subsidiaries)
- (2) The AGH Contracting Parties (for themselves and on behalf of their Subsidiaries)

Duration

Subject to the approval by the Independent Shareholders at the SGM, the Renewed Services Framework Agreement will commence from the Effective Date and shall end on March 31, 2019, unless otherwise terminated in accordance with the terms thereunder.

Services to be provided

Pursuant to the Renewed Services Framework Agreement, the AGH Contracting Parties have agreed that the AGH Relevant Entities will provide to the Group the Platform Services including but not limited to the Internet information related software technical services, bonus points system related software technical services, Internet information services, secondary domain name services, promotion and logistics related technical services, other related platform services, and other similar or related services. These services relate to the Group's use of various AGH Platforms, to sell healthcare-related products and services to consumers and businesses.

The AGH Relevant Entities shall provide the Platform Services to the Group in accordance with the standard terms and conditions as amended and published on the respective online platforms operated by the AGH Relevant Entities from time to time.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Service fees, pricing terms and payment terms

The service fees shall be calculated in accordance with the standard terms and conditions as amended and published on the respective online sales platforms operated by the respective entities from time to time. Currently, the service fees comprise the following components:

- (i) a standard rebatable annual fee designated by the relevant entity of the AGH Relevant Entities (different annual fees are applicable to different categories of products/services) (if applicable), currently being RMB30,000 per Tmall storefront and RMB60,000 per Tmall Global storefront for the year ending December 31, 2018;
- (ii) technical service fees calculated as a percentage of the value of sales of products or services sold by the Group on the AGH Platforms. Currently, the products and services sold by the Group at the relevant storefronts on the AGH Platforms are subject to a fee rate ranging from 2.5% to 7%;
- (iii) a joining fee in relation to participating in the promotional and marketing events launched on the AGH Platforms from time to time. The joining fee is determined with reference to the fixed fee with a current range from approximately RMB20,000 to RMB150,000 or bidded prices offered by the Group taking into account the commercial circumstances including the scale of the promotional event and comparable prices offered by other independent third parties and is settled in advance before the commencement of the relevant promotional event; and
- (iv) logistics service fees calculated as a percentage of the value of sales or products sold by the Group on the relevant AGH Platforms. Currently the products and services sold by the Group on the Lingshoutong platform are subject to a logistics service fee rate of 4%.

The technical service fees are determined by the fee rate applicable to the categories of the products or services sold by the Group, with reference to the fee tables published on the respective AGH Platforms from time to time. Currently, the products mainly sold by the Group are categorized into the personal care products, over-the-counter drugs, cosmetics products and medical devices categories, which are subject to the fee rate ranging from 2.5% to 7%, under the current fee tables. The fee tables published on the respective AGH Platforms are subject to adjustment and are typically revised annually by the AGH Relevant Entities.

The AGH Relevant Entities will ensure that the terms under which the Platform Services are provided to the Group are no less favorable than the general terms available to other independent third parties. The Company further confirmed that the general terms under which Platform Services provided to the Group are no less favorable than the general terms available from other independent third parties for the similar services. As the standard terms and conditions are amended and published on the respective online sales platforms operated by the AGH Relevant Entities, the Company will regularly check that the rates that it is charged is consistent with such published rates.

As the technical service fees to be charged for the sale of products and services on the respective online sales platforms are subject to change by the AGH Relevant Entities and are beyond the Group's control, the Company will seek Independent Shareholders' approval in the event that there is material change to the terms of the service fees including any material increase in the fee rate applicable to the products and services sold by the Group, as amended from time to time.

The designated annual fees shall be settled at the beginning of each calendar year and the technical service fees will be settled immediately after the sale of the relevant product(s) or service(s).

3.2. Renewed Services Agreement

Date

February 14, 2018

Parties

- (1) The Tmall Entities
- (2) Alibaba Health Technology (China)

Duration

Subject to the approval by the Independent Shareholders at the SGM, the Renewed Services Agreement will commence from the Effective Date and shall end on March 31, 2019, unless otherwise terminated in accordance with the terms thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Termination events

The Renewed Services Agreement shall automatically terminate upon the occurrence of any of the following events:

- (i) if any party is ordered or judged to be bankrupt, comes under receivership or enters into any plan or settlement proposal with its creditors or makes any transfer in the interests of its creditors;
- (ii) if the assets of any party are nationalized or requisitioned by any government or government department;
- (iii) if Alibaba Holding directly or indirectly holds less than 30% of the total issued share capital of the Company or ceases to be a “controlling shareholder” (as defined in the Listing Rules) of the Company; or
- (iv) if the monetary cap is exceeded during the term of the Renewed Services Agreement.

In the event of any dispute on the service fee that is not resolved within 60 days, either the Tmall Entities or Alibaba Health Technology (China) may terminate the Renewed Services Agreement by giving the other party/parties written notice of no less than 30 days.

If there is a material breach of the Renewed Services Agreement that has not been remedied after 30 days from the notice of such breach, the non-defaulting party/parties may terminate the Renewed Services Agreement with immediate effect.

Each of Alibaba Health Technology (China) and the Tmall Entities shall also have the right to terminate the Renewed Services Agreement by giving the other party/parties a written notice of no less than 30 days.

Services to be provided

Pursuant to the terms of the Renewed Services Agreement, Alibaba Health Technology (China) agrees to provide the Tmall Entities with the following outsourced and value-added services in relation to the Relevant Categories:

- (i) Merchants’ business development, including tracking market trends and policy updates. For example, the Group will update Merchants on any policy changes and provide analysis of how such changes might impact Merchants’ business, and on trends to help Merchants identify opportunities or areas to focus on in their business;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) Merchant customer services, including providing helpline support for Merchants on the process of admission to Tmall and Tmall Supermarket and general operational questions; assisting Merchants in optimizing searches for their products through their product information display, collating and analyzing consumer behavior data, updating Merchants on any new business rules, upcoming marketing activities, business risks, as well as collecting feedback and suggestions from Merchants to improve overall services to Merchants. For example, the Group will assist Merchants to optimize searches for their products through using more intuitive or popular key words of product functions in the product names, increase cross-selling opportunities by analyzing overall customer purchase trends and making customized recommendations to consumers and increase repeat custom by recommending certain promotions for repeat purchases. As part of the store design services, the Group can also provide tailored suggestions such as how to use banner designs to drive brand recognition, better placement of the latest promotions on the storefront to increase user clicks, and tab design based on functionality and to emphasize brand recognition;
- (iii) marketing event planning for Merchants, including planning and organizing marketing events for Merchants, organizing Merchants to participate in events, designing and building event webpage interfaces, planning customer discount programs and conducting consumer data analysis. For example, the Group will plan special marketing events around certain themes such as around hot and cold seasons, or at the same time as specific awareness days such as World Cancer Day or World Diabetes Day, as well as conduct consumer data analysis to provide feedback on the performance of the sales of products or services which Merchants have selected to participate in the marketing events as well as the amount of resultant traffic to the Merchants' stores;
- (iv) technical support, including providing technical support on product information display and store design, transaction completion processes, the use of payment tools, consumer service tools (such as the use of chat windows or complaints forms); and
- (v) assistance to the Tmall Entities' business team with: (a) Merchant admissions; (b) Merchants' business operations; (c) Merchant management; and (d) product quality control functions, including assisting with formulating rules that govern Merchants' operation, reviewing documents required for Merchants' admission and formulating and implementing quality control rules and conducting regular inspections.

The Tmall Entities will continue to have primary responsibility for all work and business decisions pertaining to the Merchant admissions, Merchants' business operations and product quality control functions, including signing and reviewing contracts with Merchants, reviewing product information and images displayed by the Merchants and providing the technology infrastructure, and Alibaba Health Technology (China) agrees to assist and execute business decisions made by the Tmall Entities.

Service fees and payment terms

The Tmall Entities shall pay the Group a service fee amounting to 21.5% of the fees paid by the Merchants to the Tmall Entities and/or their respective affiliates in respect of the value of completed sales of products or services under the Relevant Categories on Tmall and Tmall Supermarket. The service fee rate for the term of the Renewed Services Agreement is fixed and may not be adjusted.

The service fee shall be paid in cash on a quarterly basis. The service fee is determined by reference to, among other things, the operating costs expected to be incurred by the Group in providing the services including staff costs, forecast marketing and promotional activities and technical support expenses.

3.3. Renewed Logistics Services Framework Agreement

Date

February 14, 2018

Parties

- (1) The Company (for itself and on behalf of its Subsidiaries)
- (2) Hangzhou Cainiao (for itself and on behalf of its affiliates)

Duration

Subject to the approval by the Independent Shareholders at the SGM, the Renewed Logistics Services Framework Agreement will commence from the Effective Date and shall end on March 31, 2019, unless otherwise terminated in accordance with the terms thereunder.

Services to be provided

Pursuant to the Renewed Logistics Services Framework Agreement, Hangzhou Cainiao has agreed that the Cainiao Group will provide to the Group the Logistics Services including but not limited to warehouse operation and storage services, domestic and international delivery services, customs registration and clearance services, standard and special

packaging services and other value-added and logistics services provided by the Cainiao Group from time to time. The Cainiao Group shall provide the Logistics Services to the Group in accordance with the standard terms and conditions as amended and published on the respective online platforms operated by the Cainiao Group from time to time.

Service fees, pricing terms and payment terms

The service fees shall be calculated and settled in accordance with the standard terms and conditions as amended and published on the respective online platforms operated by the Cainiao Group from time to time. As at the Latest Practicable Date, the service fees comprise the following:

- (i) storage fees, which are calculated based on the size and the turnover of the Group's goods stored in the Cainiao Group's warehouses and which are payable monthly. The current applicable storage fees are approximately RMB10 per cubic meter for each applicable day;
- (ii) basic service fees, including delivery fees, which are calculated based on the delivery route, size or the weight (whichever results in the higher rate) of the Group's goods being delivered by the Cainiao Group, and which are payable against each delivery order. The current applicable delivery fees per each parcel for overseas delivery range from approximately RMB20 to RMB55 for the first kilogram and approximately RMB5 to RMB24 for each additional kilogram;
- (iii) value-added service fees, depending on the type of value-added services provided, which are calculated based on the quantity of the goods requiring the respective value-added services and are currently payable against each delivery order; and
- (iv) disbursement and other incidental costs arising from the Logistics Services such as tax paid on behalf of the Group by the Cainiao Group, which shall be calculated based on the actual amount of disbursement and are currently collected by the Cainiao Group against each delivery order.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The services fees (other than the storage fees which are settled monthly) are currently settled immediately against the completion of each delivery order.

Hangzhou Cainiao has undertaken to ensure that the terms under which the Logistics Services to be provided to the Group are no less favorable than the general terms available to other independent third parties in accordance with the respective standard agreements which are to be applicable to other merchants.

The Company will continue to check the service fees payable to Cainiao Group against the standard terms published on the respective platforms operated by Cainiao Group as well as against service fees for similar services provided by independent third parties to ensure such rates are in line with market pricing.

The Company will conduct regular checks to ensure that the rates charged are consistent with the rates published on the respective online platforms operated by Cainiao Group and will seek Independent Shareholders' approval in the event that there is material change to the terms of the service fees including any material increase in the fee rates applicable to the Logistics Services, as amended from time to time.

3.4. Renewed Shared Services Agreement

Date

February 14, 2018

Parties

- (1) Alibaba Holding
- (2) The Company

Duration

Subject to the approval by the Independent Shareholders at the SGM, the Renewed Shared Services Agreement will commence from the Effective Date to March 31, 2019, unless otherwise terminated in accordance with the terms thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Services to be provided, pricing terms and payment terms

The Shared Services, together with the respective bases of fee calculations, are detailed as follows:

Description of the Shared Services	Basis for fee calculation
1. Office premises sharing and support services	The fees for sharing of office premises to be calculated on a Prevailing Market Price Basis; the fees for office support services to be calculated on a Cost-plus Basis
2. Customer service support services	Service fees to be calculated on a Cost-plus Basis
3. Operational support services, mid-office system support services, IT system and online platform maintenance related services	Service fees to be calculated on a Cost-plus Basis
4. SMS platform services	Service fees to be calculated on a Cost-plus Basis
5. Legal corporate secretarial, finance, human resources and administrative services	Service fees to be calculated on a Cost-plus Basis
6. Business intelligence (BI) support services	Service fees to be calculated on a Cost-plus Basis
7. User experience design (UED) support services	Service fees to be calculated on a Cost-plus Basis
8. Offline open data processing services (ODPS)	Service fees to be calculated on a Cost-plus Basis

In this paragraph:

“**Prevailing Market Price Basis**” means the fees for relevant Shared Services shall be determined by the prevailing market price for such services. It is expected that the parties will refer to prevailing rental rates for comparable premises available from public sources and real estate agencies to determine the fees for sharing of office premises.

“**Cost-plus Basis**” means the fees for the relevant Shared Services shall be calculated by multiplying the actual costs for the provision of such services by a margin with a current range from approximately 1.8% to 15.0%, which is subject to annual review and shall be determined by one of the four largest international professional accounting firms as designated by Alibaba Holding, with reference to the applicable tax laws and regulations, comparable transactional information, and in accordance with the principles of arm’s length transactions.

The service fees payable by the Group pursuant to the Renewed Shared Services Agreement shall be billed and settled in cash on a quarterly basis.

3.5. Advertising Services Framework Agreement

Date

February 14, 2018

Parties

- (1) The Company (for itself and on behalf of its Subsidiaries)
- (2) Alimama (for itself and on behalf of its Subsidiaries and affiliates)

Duration

Subject to the approval by the Independent Shareholders at the SGM, the Advertising Services Framework Agreement will commence from the Effective Date to March 31, 2019, unless otherwise terminated in accordance with the terms thereunder.

Services to be provided

The Group shall engage Alimama Group to provide the Advertising Services, including but not limited to, the display of advertisements on the various platforms supported by Alimama Group, including the Taobao Platforms or other third party platforms from time to time in accordance with the standard terms and conditions as amended and published on the relevant online platforms operated by Alimama Group. The Group shall pay Alimama Group the advertising fees.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Service fees, pricing terms and payment terms

The service fees shall be calculated in accordance with the underlying standard advertising services agreements and the standard terms and conditions as amended and published on the respective online platforms operated by Alimama Group from time to time. As at the Latest Practicable Date, the Advertising Services comprise the following services:

- (i) CPM (cost per impression) model advertising services. Advertisements are displayed on the various platforms operated by Alibaba Group and other third parties and Alimama Group charges advertising fees each time the advertisement is displayed, i.e. a unit price for every 1,000 impressions served. The unit prices of certain CPM model advertisements are fixed while the unit prices of other advertisements are determined through an auction system. Where the auction system applies, the Group offers bid prices for the relevant advertisement spaces taking into account the commercial circumstances and comparable prices offered by other independent third party advertisers on other advertising platforms. Alimama Group's systems automatically accepts the highest bids for each advertising space where the auction process is used. The fixed prices currently charged by Alimama and the bid prices currently offered by the Group which have been accepted under the CPM model range from RMB15 to RMB100 per 1,000 impressions, depending on the designated space, size, advertising format, timing and targeted users;
- (ii) CPC (cost per click) model advertising services. Advertisements are displayed on the various platforms operated by Alibaba Group and other third parties and Alimama Group charges advertising fees each time a user clicks on the displayed advertisement. The unit prices for CPC model advertisements are determined through an auction system, under which the Group offers bid prices for the relevant advertisement spaces taking into account the commercial circumstances and comparable prices offered by other independent third party advertisers on other advertising platforms. Alimama Group's systems automatically accepts the highest bids for each advertising space where the auction process is used. The bid prices currently offered by the Group which have been accepted under the CPC model range from RMB2 to RMB10 per click, depending on the size, advertising format and timing of the advertisement; and
- (iii) Project-based advertising services. Alimama Group provides project-based advertising campaign services, whereby it offers advertisements on its advertising platforms for a certain advertising period. Alimama charges advertising fees based on a CPM model or a cost per time (CPT) model (i.e. advertising fees are

charged based on the amount of time displayed) and the estimated page views. The specific location, timing and frequency of the advertisements displayed on various platforms during the period will be determined by Alimama Group.

The Company will conduct regular checks to ensure that the rates charged are consistent with the rates published on the respective online platforms operated by Alimama Group and will seek Independent Shareholders' approval in the event that there is material change to the terms of the service fees including any material increase in the fee rates applicable to the Advertising Services, as amended from time to time.

3.6. Internal controls for the Group's continuing connected transactions

As previously disclosed, the Company has adopted adequate internal control measures to comply with the Listing Rules requirements with respect to the supervision and monitoring of the annual caps of the transactions contemplated under the 2019 CCT Agreements. The finance department of the Company has been collecting and will continue to collect information on the actual transactions conducted with the relevant parties, and the corresponding services fees incurred on the Platform Services, the Logistics Services and the Merchant Services, the Shared Services and the Advertising Services on a weekly, bi-weekly, bi-weekly, monthly and monthly basis, respectively, and has been updating such information to the legal department and the chief financial officer of the Company, to monitor these transaction amounts. The operations department of the Company has been collecting and will continue to collect information of the rates published on the respective online platforms operated by the counter parties of the 2019 CCT Agreements where applicable and the pricing terms of similar services provided by other independent third parties (as the case may be) on a quarterly basis. They will report to the legal department and the chief financial officer of the Company in the event that there is any discrepancy in the pricing terms against those under the relevant 2019 CCT Agreements to ensure the continuing connected transactions are conducted in accordance with the pricing policies set out in the relevant agreements.

The Company will continue to closely monitor the implementation of the 2019 CCT Agreements and take prompt actions to make necessary disclosure and obtain Independent Shareholders' approval in the event that any adjustment to an annual cap becomes foreseeable.

The Company's external auditors will review the continuing connected transactions under each 2019 CCT Agreement annually to check and confirm (among others) whether the pricing terms have been adhered to and whether the relevant caps have been exceeded. The AGH Contracting Parties, the Tmall Entities, Hangzhou Cainiao, Alibaba Holding and Alimama have respectively

agreed to allow the Company and its external auditors to access the information necessary to report on the non-exempt continuing connected transactions contemplated under the respective 2019 CCT Agreement.

The independent non-executive Directors will review the continuing connected transactions under the 2019 CCT Agreements annually to check and confirm whether such continuing connected transactions have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company (including the regular monitoring and reporting of the corresponding services fees and pricing terms as mentioned above) are adequate and effective to ensure that such continuing connected transactions are conducted in accordance with the pricing policies set out in such relevant agreements.

4. Reasons for and benefits of entering into the 2019 CCT Agreements

As previously disclosed by the Company, the Company's mission is to build an online community where it will connect participants in China's healthcare market. In respect of the Renewed Services Framework Agreement, the Company believes that by marketing and selling products or services on online sales platforms operated by the AGH Relevant Entities in relation to the Platform Services, it will be able to reach out to more customers and improve its understanding of their needs.

Similarly, in respect of the Renewed Logistics Services Framework Agreement, as the Company has been marketing and selling products or services online, it requires efficient and reliable logistics services to enable its products to be safely and promptly delivered to its customers. Accordingly, the Company entered into the Renewed Logistics Services Framework Agreement with Hangzhou Cainiao, which is a well-established domestic and international logistics service solutions provider, to provide efficient and reliable logistics solutions to deliver its products to its customers.

In respect of the Renewed Services Agreement, the Merchant Services remain within the existing skill set of the Group given that it has been developing its own website, mobile APP, O2O pharmacy business and network hospital. The service fees received under the Renewed Services Agreement will continue to be one of the steady growing sources of revenue for Alibaba Health. Together with the rapid growth of Alibaba Health's self-operated B2C online pharmacy and Ma Shang Fang Xin tracking platform core businesses, as well as given the potential of such innovative new businesses as intelligent healthcare and health management services, the Merchant Services provided under the Renewed Services Agreement serves as another source of revenue of the Group.

In respect of the Renewed Shared Services Agreement, since Alibaba Group's businesses are comprised of core commerce, cloud computing, digital media and entertainment, innovation initiatives and others, some of which are complementary to the Group's pharmaceutical e-commerce, intelligent medicine and product tracking

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

platforms businesses, it can help enhance utilization and economies of scale of Alibaba Group's operational support resources and, on the other hand, reduce the management and administrative costs of the Group in procuring similar services from a wide range of other providers. The Company believes that the Renewed Shared Services Agreement will allow the Company to better leverage on the mature infrastructure and coverage already built by Alibaba Group and promote better cooperation between Alibaba Group and the Company. In addition, the fees payable for each type of the Shared Services are determined based on prevailing market prices or on a cost-plus basis, in which any margin shall be decided annually by internationally recognized professional parties based on applicable tax laws and comparable transactional information. Furthermore, the Company will from time to time review the terms of the services contemplated under the Renewed Shared Services Agreement against the terms and services offered by third party providers and re-assess the commercial desirability of such arrangements.

In respect of the Advertising Services Framework Agreement, the Group has identified the need for coordinated marketing and Advertising Services for the promotion of its products on various e-commerce platforms. The Group believes that the advertising services and resources provided by Alimama is an effective marketing tool and will enable the Group to reach out to more customers and boost the sales of the Group's products. Seeing the success of the Advertising Services provided by Alimama on the Group's sales for the past months, the Group intends to allocate more resources in advertising services provided by Alimama going forward and considers that the entering into of the Advertising Services Framework Agreement would facilitate the administration of the purchase of Advertising Services by the Group.

According to the report released by China E-commerce Research Center (the "**2017 First Half B2C Report**"), Tmall's market share reached approximately 50.2% in the B2C e-commerce market in China in the first half of 2017¹. Also, a report on elderly online consumption pattern jointly released by China International Electronic Commerce Center and JD Research Institute² indicates that the pharmaceutical products occupied approximately 25.8% of the elderly online consumption market in the first half of 2017 with the transaction amounts increased by approximately 438.2% year-on-year. We further note from the quarterly result of Alibaba Group for the quarter ended December 31, 2017³ that the Gross Merchandise Value ("**GMV**") for Tmall physical goods recorded 43% year-on-year increase for the quarter ended December 31, 2017 with an increase of 31 million mobile users from the prior quarter. Given the robust performance of Tmall in the B2C e-commerce market and the significant increase in the pharmaceutical products in elderly online consumption market, we believe that the Company can leverage the scale and sound performance of the AGH Platforms to further boost its B2C pharmacy business under the Renewed Services Framework Agreement.

¹ Source: http://www.100ec.cn/zt/upload_data/17jcbg1/17jcbg1.pdf

² Source: <http://images.ec.com.cn/201712/20171214163824832.pdf>

³ Source: http://www.alibabagroup.com/en/news/press_pdf/p180201.pdf

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We note that the Company mainly engages in the provision of healthcare product sales and services, product tracking services, and intelligent medicine and health management services. As the Company only commenced its pharmaceutical e-commerce business in September 2016, the Company has limited history in engaging in such business and it is necessary for the Company to engage a professional logistics service provider to provide logistics services to ensure smooth delivery of healthcare products to its consumers.

We note from Cainiao Group's official website⁴ that they have cooperated with a number of well-known companies including China Post Group Corporation and S.F. Express Co., Ltd. and cover approximately 250 cities and has over 5 million sq.m. storage area. As Hangzhou Cainiao already provides services for many merchants on Alibaba Group's e-commerce platforms, including Tmall, the Company believes that using Hangzhou Cainiao's Logistics Services provides more efficient operation of its businesses that operate on such platforms, which in turn enhances the Company's competitiveness in pharmaceutical e-commerce. Therefore, the Renewed Logistics Services Framework Agreement can provide the Group with efficient and reliable logistics services given Hangzhou Cainiao's scale and its existing working relationship with Alibaba Group's e-commerce platforms.

As stated in the 2017 Interim Report, the aggregate service fees received by the Group from March 31, 2017 to September 30, 2017 under the Services Agreement were approximately RMB49.6 million while GMV transacted in the Alibaba Group in fiscal year 2017 reached RMB3,767 billion, representing an increase of 22% compared to RMB3,092 billion in fiscal year 2016⁵. Also, the Ministry of Commerce issued the National Development Plan for Drug Circulation Industry (2016–2020)⁶ which stated that the Chinese government will promote online pharmacy and the integration of online to offline development, and more comprehensive regulations on the drug circulation will be implemented. With increasing GMV transacted on Alibaba Group platforms and clearer regulations on the pharmaceutical e-commerce business, we concur with the management of the Company that the Services Agreement will serve as another source of revenue of the Group.

We note that Alibaba Service Providers will provide Shared Services to the Group in order to support the Group's operational activities. As stated in the Letter from the Board, since Alibaba Group operates certain businesses that are complementary to the Group's pharmaceutical e-commerce, intelligent medicine and product tracking platforms businesses, the Shared Services can help the Group reduce its management and administrative costs where the Group would otherwise have had to devote resources towards without the Renewed Shared Services Agreement. Given Alibaba Group's business scale and resources, the Shared Services Agreement can provide high-quality and valuable services to the Group that are compatible with the Group's

⁴ Source: <https://www.cainiao.com>

⁵ Source: http://www.alibabagroup.com/en/news/press_pdf/p170518.pdf

⁶ Source: <http://www.mofcom.gov.cn/article/guihua/201612/20161202419508.shtml>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

resources and needs. As such, we are of the view that the Renewed Shared Services Agreement can help the Group to reach economies of scale and enhance the Company's financial performance by reducing management and administrative costs.

We note from Alimama's official website⁷ that it has access to Alibaba Group's massive user database to analyze consumer behaviour and has access to 95% of Chinese internet users. Also, it has more than 10 years of experience in providing advertising services based on its commercial data and has serviced more than 1 million customers. Therefore, we believe that the Company can leverage on Alimama's strengths and experience in e-commerce business advertisement to boost its sales using effective advertising strategies provided by Alimama through the Advertising Services Framework Agreement.

We have discussed with the management of the Company and understand that the service fees under the Renewed Services Framework Agreement and the Renewed Logistics Services Framework Agreement shall be calculated in accordance with the standard terms and conditions as amended and published on the respective online sales platforms operated by the respective AGH Platforms and the Cainiao Group from time to time. In addition, we have reviewed the signed agreements in respect of the Renewed Services Framework Agreement and the Renewed Logistics Services Framework Agreement and note that the AGH Contracting Parties and Hangzhou Cainiao have undertaken that the terms under which the Platform Services and Logistics Services provided to the Group are no less favorable than the general terms available to other independent third parties for the similar services.

We have also reviewed the service fees published on the online sales platforms operated by the respective AGH Platforms under the Services Framework Agreement and service fees published on the online sales platforms operated by the Cainiao Group under the Logistics Services Framework Agreement and compared the standard general terms which are applicable to independent third parties to the terms of the transactions under the Services Framework Agreement and under the Logistics Services Framework Agreement. We note that the service fees received by the AGH Contracting Parties from the Company were on normal commercial terms or terms no less favorable than the general terms available to independent third parties. We understand from the management of the Company that the standard general terms under the Logistics Services Framework Agreement are applicable to other independent third parties and we have compared the standard general terms which are applicable to independent third parties to the terms of the transactions under the Logistics Services Framework Agreement. We note that the service fees received by Hangzhou Cainiao from the Company were on normal commercial terms or terms no less favorable than the general terms available to independent third parties.

We understand from the management of the Company that the standard general terms under the Advertising Services Agreements are applicable to other independent third parties and we have compared the standard general terms which are applicable to

⁷ Source: <https://www.alimama.com/index.htm>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

independent third parties to the terms of the transactions under the Advertising Services Agreements. We note that the service fees received by Alimama from the Company were on normal commercial terms.

We note that the service fee under the Renewed Services Agreement was determined by reference to, among other things, the operating costs expected to be incurred by the Group in providing the services including staff costs, forecast marketing and promotional activities and technical support expenses. We have compared the gross profit margin under the Services Agreement with the listed comparable companies (the “**Services Comparable Companies**”) which (i) provide similar services compared with the services under the Services Agreement; and (ii) have business exposure in China. The Services Comparable Companies have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavors, through our research using public information as follow:

Company Name	Ticker	Business Description	Gross Profit Margin <i>(Note 1)</i>
eCargo Holdings Limited	ECG AU	Provision of on-demand digital commerce technology development, integrated online and offline technology, supply chain solutions and consultancy services for digital commerce with Greater China focus	55.7%
BlueFocus Communication Group Co., Ltd.	300058 CH	Provision of marketing and brand management services across disciplines of e-commerce, mobile solutions to multinational companies and leading Chinese enterprises covering different industries.	21.8%
Beijing Tensyn Digital Marketing Technology Joint Stock Company	300392 CH	Provision of integrated marketing and brand development services through internet platform with data analysis services	1.5%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company Name	Ticker	Business Description	Gross Profit Margin (Note 1)
Hylink Digital Solution Co., Ltd.	603825 CH	Provision of digital marketing, consultancy services for digital marketing, television marketing and sales solution to merchants	12.5%

Note:

1. The gross profit margin of eCargo Holdings Limited is calculated based on the gross profit divided by the revenue from its 2017 full year result announcement. The gross profit margin of BlueFocus Communication Group Co., Ltd. is calculated based on the segment gross profit divided by the segment revenue from its 2016 annual report. The gross profit margin of Beijing Tensyn Digital Marketing Technology Joint Stock Company is calculated based on the segment gross profit divided by the segment revenue from its 2016 annual report. The gross profit margin of Hylink Digital Solution Co., Ltd. is calculated based on the segment gross profit divided by the segment revenue from its initial public offering prospectus dated on July 20, 2017.

As the average gross profit margin for each month since April 2017 under the Services Agreement calculated based on service revenue subtracting middle office costs and labor costs divided by service revenue is above the range of the comparable gross profit margin of the Services Comparable Companies from approximately 1.5% to 55.7%, we are of the view that the service fee under the Renewed Services Agreement is fair and reasonable.

We understand that the service fee under the Renewed Shared Services Agreement was determined by reference to either a prevailing market price basis or a cost-plus basis. For the prevailing market price basis, we note that it is only used in determining the office premises sharing fee. We have reviewed one sample under the Shared Services Agreement regarding the calculation of office premises sharing fee and confirmed that the calculation was determined with reference to the prevailing market price. For the cost-plus basis, we understand from the management of the Company that the cost-plus margins ranged from 1.8% to 15.0% under the Shared Services Agreement. We have randomly obtained the cost-plus margins for IT system services and compared the cost-plus margins with the gross profit margins of the listed comparable companies (the “**Shared Services Comparable Companies**”) which (i) provide similar services compared with IT system services, which include IT solution and system maintenance; and (ii) have business exposure in China. The Shared Services

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparable Companies have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavors, through our research using public information as follow:

Company Name	Ticker	Business Description	Gross Profit Margin (Note 1)
Neusoft Corporation	600718 CH	Provision of IT support, IT solution and other software products and services with key development in pharmacy, health, smart cities, etc.	30.1%
Shanghai Baosight Software Co., Ltd.	600845 CH	Provision of IT solution and services in different sectors including mining, finance, public services and pharmacy and IT services provided to third parties.	28.9%
Beyondsoft Corporation	002649 CH	Provision of IT solution and support services, IT services provided to third parties	29.9%
Insigma Technology Co., LTD	600797 CH	Provision of IT software development and maintenance services, IT solution and other value-added services in transportation, health and finance sectors.	20.4%

Note:

1. The gross profit margin of Neusoft Corporation is calculated based on the segment gross profit divided by the segment revenue from its 2016 annual report. The gross profit margin of Shanghai Baosight Software Co., Ltd. is calculated based on the gross profit divided by the revenue from its 2016 annual report. The gross profit margin of Beyondsoft Corporation is calculated based on the segment gross profit divided by the segment revenue from its 2016 annual report. The gross profit margin of Insigma Technology Co., LTD is calculated based on the gross profit divided by the revenue from its 2016 annual report.

The average cost-plus margin for IT system services under the Shared Services Agreement were from approximately 1.8% to 11.5% which are below the comparable gross profit margins of the Shared Services Comparable Companies from 20.4% to 30.1%. Considering the fact that the cost-plus margin for the relevant Shared Services is subject to annual review and determined by one of the four largest international

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

professional accounting firms with reference to the applicable tax laws and regulations, comparable transactional information, and in accordance with the principles of arm's length transactions and the cost-plus margin for IT system services is below the comparable gross profit margins of the Shared Services Comparable Companies, we are of the view that the service fee under the Renewed Shared Services Agreement is fair and reasonable.

In respect of the Services Framework Agreement, as stated in the Letter from the Board in the Circular that the Company confirmed that the general terms under which Platform Services provided to the Group are no less favorable than the general terms available from other independent third parties for the similar services. We have compared the terms published on the respective AGH Platforms with the terms published on other major online platforms such as JD.com, Inc. and Amazon.com, Inc. and confirmed that the general terms provided to the Group by the AGH Relevant Entities under the Services Framework Agreement were no less favorable than the general terms available from other independent third parties for the similar services.

In respect of the Logistics Services Framework Agreement, as stated in the Letter from the Board in the Circular that the Company will continue to check the service fees payable to Cainiao Group against the standard terms published on the respective platforms operated by Cainiao Group as well as against service fees for similar services provided by independent third parties to ensure such rates are in line with market pricing. We also note that the Logistics Services relate to the delivery of products on the Tmall Global platform and are offered ancillary to the Platform Services provided by the AGH Platforms. Hangzhou Cainiao has been chosen as the designated operator by Alibaba Group to provide the related Logistics Services for the Tmall Global platform given that it is an experienced company in providing Logistics Services and it has sophisticated delivery network and connection with major players in the logistics industry. We understand that the Company has accepted to use the Logistics Services provided by Hangzhou Cainiao for these reasons and is satisfied that such rates are in line with market pricing. We have enquired the management of the Company and confirmed that the Company has checked and will continue to regularly check the service fees payable to Hangzhou Cainiao against the standard terms published on the respective platforms operated by Hangzhou Cainiao as well as against the service fees for similar services provided by independent third parties.

In respect of the Advertising Services Agreements, we understand that the CPM, CPC and CPT models are all common business models used in the advertising market. We have checked the advertising platform of Baidu, Inc. and note that they have the similar models for placing advertisements. We understand from, and agree with, the management of the Company that the bidding processes and pricing establishments of the CPM and CPC models are based on the supply and demand of the advertising availability and are therefore reliant on the market responses and market-based, of which we consider fair and reasonable. As for the fees for the project-based advertising services under the CPT model, we have enquired the management of the Company and confirmed that that the Company has compared and will continue to compare prices

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

for this type of services with other advertising companies taking into account the proposed budget and the estimated impact of the advertising before using the services provided by Alimama Group.

We have reviewed the internal control guidelines of the Company and note that the finance department of the Company has been and will continue to (i) collect information on the actual transactions conducted with the relevant parties, and the corresponding advertising fees incurred on a monthly basis; and (ii) update such information to the legal department and the chief financial officer of the Company, to monitor these transaction amounts while the operations department of the Company has been and will continue to (i) collect information of the rates published on the respective online platforms operated by the counter parties of the 2019 CCT Agreements and compare the rates with those provided by other independent third parties (as the case may be) for the similar services on a quarterly basis; and (ii) report to the legal department and the chief financial officer of the Company in the event that there is any discrepancy in the pricing terms against those under the relevant 2019 CCT Agreements to ensure the continuing connected transactions are conducted in accordance with the pricing policies set out in the relevant agreements.

We have enquired the finance department of the Company and obtained the relevant documents which collected the historical transaction amounts with relevant parties and concluded that the Company has been executing the internal control procedures regarding the historical transactions for the continuing connected transactions. We have also enquired the operations department of the Company and obtained the relevant documents which collected the rates published on the counter parties of the 2019 CCT Agreements and the pricing terms of similar services provided by other independent third parties and concluded that the Company has been executing the internal control procedures regarding the pricing terms for the continuing connected transactions.

We further note that pursuant to the Listing Rules, independent non-executive Directors must review the continuing connected transactions and the auditors of the Company must provide a letter to the listed issuer's board of directors confirming the annual caps for the continuing connected transactions are not exceeded and if auditors cannot confirm whether the annual caps are exceeded, the Company shall issue an announcement regarding any non-compliance matters. We have reviewed the 2017 Annual Report of the Company and note that the Company has complied with the Listing Rules regarding the continuing connected transactions. Given that the Company carried out its internal control measures on monitoring continuing connected transactions in the past and will continue its internal control measures on the 2019 CCT Agreements and the independent non-executive Directors and the auditors of the Company have on-going review of the continuing connected transactions pursuant to the Listing Rules, we are of the view that the internal control guidelines are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Also, we reviewed two samples of the services fees payable from the Group under each of the Services Framework Agreement and the Logistics Services Framework Agreement with reference to the standard general terms which are applicable to independent third parties and confirmed that the existing transactions under the Services Framework Agreement and the Logistics Services Framework Agreement were entered into on normal commercial terms or terms no less favorable than the standard general terms available to independent third parties and consistent with the service fee terms under the Services Framework Agreement and the Logistics Services Framework Agreement respectively. Also, we reviewed two samples of the service fees payable to the Group from the Tmall entities and the respective value of completed sales of products or services under the relevant categories on Tmall and confirmed that the existing transactions under the Services Agreement were entered into on normal commercial terms and consistent with the service fee terms under the Services Agreement. In addition, we reviewed two samples of the service fees payable from the Group to Alibaba Holding and confirmed that the existing transactions under the Shared Services Agreements were entered into on normal commercial terms and consistent with the service fee terms under the Shared Services Agreements. We also reviewed two samples of the service fees payable from the Group to Alimama and confirmed that the existing transactions under the Advertising Services Agreements were entered into on normal commercial terms and consistent with the service fee terms under the Advertising Services Agreements. Therefore, we conclude that the existing transactions under each of the CCT Agreements were conducted in consistence with the service fees terms upon reviewing the samples. The samples were selected on a random basis taking into consideration different types of service fees and that the service fees were paid/received during different periods under the Services Framework Agreement, the Logistics Services Framework Agreement, the Services Agreement, the Shared Services Agreement and the Advertising Services Agreements.

Based on the above analysis, we are of the view that the pricing policy and payment terms under each of the 2019 CCT Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In conclusion, we are of the view that the 2019 CCT Agreements fall within the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Historical amounts and basis for determining the annual caps amounts

The historical transaction amounts for the year ended March 31, 2017, the approximate transaction amounts for the ten months ended January 31, 2018 based on the management accounts, the proposed annual caps relating to each of the 2019 CCT Agreements are set out below:

	Approximate historical amounts for the year ended March 31, 2017 (RMB)	Approximate unaudited transaction amount for the ten months ended January 31, 2018 based on management accounts (RMB)	Annual caps for the year ended March 31, 2017 (RMB)	Existing annual caps for the year ending March 31, 2018 (RMB)	Proposed annual caps for the year ending March 31, 2019 (RMB)
Renewed Services					
Framework Agreement	12,653,000	60,599,000	15,000,000	80,000,000	229,000,000
Renewed Services Agreement	42,301,000	103,387,000	60,000,000	130,000,000	241,000,000
Renewed Logistics Services					
Framework Agreement	957,000	19,665,000	N/A	26,000,000	59,000,000
Renewed Shared Services					
Agreement	3,440,000	14,981,000	N/A	23,000,000	42,000,000
Advertising Services					
Framework Agreement	32,000	6,752,000	N/A	10,000,000	54,000,000

The proposed annual caps for the year ending March 31, 2019 are RMB229,000,000 under the Renewed Services Framework Agreement, RMB241,000,000 under the Renewed Services Agreement, RMB59,000,000 under the Renewed Logistics Services Framework Agreement, RMB42,000,000 under the Renewed Shared Services Agreement and RMB54,000,000 under the Advertising Services Framework Agreement, representing an increase of approximately 186.3%, 85.4%, 126.9%, 82.6% and 440.0% respectively compared with the original annual caps under each of the CCT Agreement.

6. The Basis for determining the proposed annual caps

We understand from the management of the Company that the AGH Annual Cap was determined with reference to (i) the historical transaction amounts under the existing agreement, (ii) the significant increase more than 400% of the transaction amount for the ten months ended January 31, 2018 compared to that for the year ended March 31, 2017, (iii) the expected sales of products during the coming financial year following the year-on-year growth trend and boosted by the Group's increased marketing effort, (iv) the products and services that the Group intends to feature on the AGH Relevant Entities' platforms, of which the number of types of products to be featured is expected to be approximately 60% more than that for the year ending March 31, 2018, and (v) the potential of the future development of online healthcare

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

products and services business in the PRC as shown by the rapid growth of the GMV for Tmall physical goods which recorded 43% year-on-year increase for the quarter ended December 31, 2017 and rapid increase is expected in the GMV for pharmacy and healthcare e-commerce business.

Similarly, the Logistics Annual Cap was determined with reference to (i) the historical transaction amounts under the existing agreement, (ii) the significant increase of more than 20 times of the transaction amount for the ten months ended January 31, 2018 compared to the year ended March 31, 2017, (iii) the expected sales of the products during the coming financial year following the year-on-year growth trend and boosted by the Group's increased marketing effort, (iv) the products and services that the Group intends to feature on the Tmall Global platforms, of which the number of types of products to be featured is expected to be approximately 25% more than that for the year ending March 31, 2018, and (v) the potential of the future development of online healthcare products and services business in the PRC as shown by the rapid growth of the GMV for Tmall physical goods which recorded 43% year-on-year increase for the quarter ended December 31, 2017 and rapid increase is expected in the GMV for pharmacy and healthcare e-commerce business.

The Tmall Annual Cap was determined with reference to (i) the historical transaction amounts under the existing agreement, (ii) the significant increase of more than 240% of the transaction amount for the ten months ended January 31, 2018 compared to that for the year ended January 31, 2017, (iii) the Company's projections for the Relevant Categories for the year ending March 31, 2019 based on projections for the growth of the corresponding business and the overall healthcare market in the PRC is expected to be following the year-on-year growth trend, and (iv) the Company's increased marketing effort in relation to enhancing the services that the Company seeks to continue providing for the pharmaceutical and healthcare products and services e-commerce business of Tmall.

The Shared Services Annual Cap was determined primarily based on (i) the expected growth of the Group's businesses and the resulting increase in demand for the Shared Services, (ii) the historical transaction amount of service fees paid by the Group for the Shared Services, (iii) the significant increase of more than 400% of the transaction amount for the ten months ended January 31, 2018 compared to the year ended March 31, 2017, (iv) the prevailing market rates for comparable services offered by other service providers or the estimated costs that would be incurred by the Company in hiring personnel to provide the Shared Services internally (as applicable), and (v) where the fees are calculated based on prevailing rates charged by the relevant Alibaba Service Providers to independent third party users, the current prevailing rates for such services charged by the relevant Alibaba Service Providers.

The Advertising Annual Cap was determined with reference to (i) the historical transaction amounts incurred under the existing agreements in respect of the Advertising Services, (ii) the significant increase of more than 200 times of the transaction amount for the ten months ended January 31, 2018 compared to that for the year ended March 31, 2017, (iii) the increase of products and services that the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Group intends to feature on the online platforms, of which the number of types of products to be featured is expected to be approximately 60% more than that for the year ending March 31, 2018, and (iv) the Group's increased effort on marketing and promotion campaigns to boost sales for the financial year ending March 31, 2019 which is made with reference to the expected sales of the products during the coming financial year.

In assessing the fairness and reasonableness of the proposed annual caps under each of the 2019 CCT Agreements, we have considered the following factors in deriving the AGH Annual Cap, the Logistics Annual Cap, the Tmall Annual Cap, the Shared Services Annual Cap and the Advertising Annual Cap.

We understand that the proposed annual caps under each of the 2019 CCT Agreements were determined with reference to the historical transaction amounts under the CCT Agreements. We have reviewed the unaudited transaction amount for the ten months ended January 31, 2018 and annualized the figures. We note that the average utilization rate of the annual caps under the CCT Agreements reached approximately 87.3%. We have also reviewed the monthly transaction amounts for the ten months ended January 31, 2018 for each of the CCT Agreements and concluded that the transaction amounts under each of the CCT Agreements were generally increasing. We further note that the transaction amounts for the ten months ended January 31, 2018 had significantly increased comparing to the transaction amounts for the year ended March 31, 2017.

Apart from the historical transaction amounts, we note that the AGH Annual Cap and the Logistics Annual Cap were determined with reference to (i) the expected sales of the products during the coming financial year following the year-on-year growth trend and boosted by the Group's increased marketing effort, (ii) the products and services that the Group intends to feature on the AGH Relevant Entities' platforms, of which the number of types of products to be featured is expected to be approximately 60% more than that for the year ending March 31, 2018 under the Renewed Services Framework Agreement and the products and services that the Group intends to feature on the Tmall Global platforms, of which the number of types of products to be featured is expected to be approximately 25% more than that for the year ended March 31, 2018 under the Renewed Logistics Services Framework Agreement, and (iii) the potential of the future development of online healthcare products and services business in the PRC as shown by the rapid growth of the GMV for Tmall physical goods which recorded 43% year-on-year increase for the quarter ended December 31, 2017 and rapid increase is expected in the GMV for pharmacy and healthcare e-commerce business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the expected sales of the products in deriving the AGH Annual Cap and the Logistics Annual Cap and understand that the expected sales of the products used in deriving the AGH Annual Cap and the Logistics Annual Cap have increased by approximately 130% and 79% respectively comparing to the expected sales of the products for the year ending 31 March 2018⁸. As such, we have conducted a market research on the pharmaceutical e-commerce business to assess the fairness and reasonableness on the expected sales of the products in deriving the AGH Annual Cap and the Logistics Annual Cap. We understand that the GMV for Tmall physical goods, which included tangible pharmaceutical products, recorded 43% year-on-year increase for the quarter ended December 31, 2017 with an increase of 31 million mobile users from the prior quarter. In addition, according to the Economy of China — Analysis and Forecast (2018) published by Social Sciences Academic Press (China), it predicts that the gross domestic product (“GDP”) growth rate will be approximately 6.7% in 2018, suggesting a steady economy growth rate in 2018 while the price index for traditional Chinese and western medicines and health care articles increased by 5.4% year-on-year for the year ended 2017 according to the National Bureau of Statistics of China (“NBSC”)⁹. As we mentioned previously, the pharmaceutical e-commerce business is experiencing rapid growth, especially in the elderly market which experienced 438.2% year-one-year increase for the first half of 2017. In addition, JD Daojia announced that their GMV for its pharmacy and health business recorded a 360% year-on-year increase in June 2017¹⁰. As such, taking into account the robust GMV performance of Tmall, steady economic outlook, the inflation rate for pharmaceutical products and the rapid growth of pharmaceutical e-commerce business, as shown by the growth in the elderly market and JD Daojia’s pharmacy and health business, we are of the view that the expected sales of the products are fair and reasonable in deriving the AGH Annual Cap and the Logistics Annual Cap.

We understand that the Company has taken into account the products and services featured on the AGH Relevant Entities’ platforms and Tmall Global platforms in formulating the AGH Annual Cap and the Logistics Annual Cap respectively, including increase in the products to be featured on the AGH Relevant Entities platforms of 60% and on Tmall Global platforms of 25% more than that for the year ending March 31, 2018 respectively and the fee rates of the products and services which are also the key factors in calculating the Annual Cap. We have compared the fee rates used under certain platforms with the historical fee rates and concluded that the fee rates are fair and reasonable in deriving the AGH Annual Cap and the Logistics Annual Cap.

⁸ The expected sales of the products for the year ending March 31, 2018 are derived based on the actual sales of the products from April 2017 till February 2018 plus the expected sales of the products in March 2018 with reference to the Company’s historical data and plans.

⁹ Source: <http://data.stats.gov.cn/english/easyquery.htm?cn=A01>

¹⁰ Source: <http://www.linkshop.com.cn/web/archives/2017/381547.shtml>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, we have discussed with the management of the Company regarding the potential future development of its businesses. We understand that the Group will continue to work on enhancing the transparency and efficiency of the pharmaceutical and healthcare product supply chain through the use of the Internet and developing a more efficient drug distribution network for the benefit of market participants and consumers, given that the industry is still facing a high dispersion of distributors and an excessively long supply chain of pharmaceutical and healthcare products. Also, as stated in the 2017 Annual Report of the Company, pharmaceutical e-commerce makes up only approximately 3% of the total pharmaceutical sales in China, indicating a huge potential for development. Therefore, we are of the view that the AGH Annual Cap and the Logistics Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As for the Tmall Annual Cap, apart from the historical transaction amounts, we note that the Tmall Annual Cap was determined with reference to (i) the Company's projections for the Relevant Categories for the year ended March 31, 2019 based on projects for the growth of the corresponding business and the overall healthcare market in the PRC is expected to be following the year-on-year growth trend and (ii) the Company's increased effort on the marketing plans in relation to enhancing the services that the Company seeks to continue providing for the pharmaceutical and health products and services e-commerce business of Tmall.

The overall healthcare market in China is still expanding with a double digit growth rate. According to the NBSC¹¹, the accumulated retail sales of enterprises above designated size on traditional Chinese and western medicine had increased by 12.4% year-on-year as at December 2017, reaching RMB948.2 billion. Also, according to the 41th survey report published by China Internet Network Information Centre ("CNNIC")¹², internet e-commerce users increased from approximately 467 million people in December 2016 to 533 million people in December 2017, representing an increase of approximately 14.3%, compared to a 12.9% annual increase in 2016.

In addition, the Company has considered the effect of more marketing activities to be executed in 2018 when calculating the Tmall Annual Cap. We understand from the management of the Company that the Company plans to boost the sales volume of the Merchants by devoting more resources to advertisement and marketing activities for the year ending March 31, 2019. This will in turn increase the continuing connected transaction amounts under the Renewed Services Agreement. We have reviewed the 2017 Interim Report and saw a positive correlation between the advertising expenses and service fees received by the Group under the Services Agreement. As such, we are of the view that it is fair and reasonable to consider the effect of more marketing activities when calculating the Tmall Annual Cap.

¹¹ Source: <http://data.stats.gov.cn/english/easyquery.htm?cn=A01>

¹² Source: <http://www.cnnic.net.cn/hlwfzyj/hlwzxbg/hlwtjbg/201801/P020180131509544165973.pdf>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As we mentioned previously, the pharmaceutical e-commerce business is experiencing rapid growth, especially in the elderly market which experienced 438.2% year-one-year increase in the first half of 2017. As such, taking into account the expansion of overall healthcare market in China, the upcoming marketing plans for the Merchants and the rapid growth of pharmaceutical e-commerce business, we are of the view that the Tmall Annual Cap is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As for the Shared Services Annual Cap, apart from the historical transaction amounts, we note that the Shared Services Annual Cap was determined with reference to (i) the expected growth of the Group's businesses and the resulting increase in demand for the Shared Services, (ii) the prevailing market rates for comparable services offered by other service providers or the estimated costs that would be incurred by the Company in hiring personnel to provide the Shared Services internally (as applicable), and (iii) where the fees are calculated based on prevailing rates charged by the relevant Alibaba Service Providers to independent third party users, the current prevailing rates for such services charged by the relevant Alibaba Service Providers.

We have reviewed the 2017 Interim Report of the Company and note that the revenue increased by 1,516.9% year-on-year for the six months ended September 30, 2017 due to the introduction of pharmaceutical e-commerce business. As we mentioned previously, the Company is introducing more products and services to the AGH Platforms, pharmaceutical e-commerce business is still at its early stage where the business scale is expanding, and the Company is continuing to expand its product tracking platform business and to further explore the development of intelligent medicine and personal health management services. Accordingly, the Company expects that more and more Shared Services will be needed in order to support its business growth. Also, we have reviewed the estimation schedule for the Shared Services Annual Cap and understand that operational support services, mid-office system support services, IT system and online platform maintenance related services are the main component of the annual cap. As such, we have examined the estimated costs that would be incurred by the Company on operational support services, mid-office system support services, IT system and online platform maintenance related services and recalculated the estimated transaction amounts based on the estimated costs of which we think are fair and reasonable, and accordingly, we are of the view that the Shared Services Annual Cap is fair and reasonable.

As for the Advertising Annual Cap, apart from the historical transaction amounts, we note that the Advertising Annual Cap was determined with reference to (i) the increase of products and services that the Group intends to feature on the online platforms, of which the number of types of products to be featured is expected to be approximately 60% more than that for the year ending March 31, 2018 and (ii) the Group's increased effort on marketing and promotion campaign to boost sales marking plans for the financial year ending March 31, 2019 which is made with reference to the expected sales of the products during the coming financial year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To boost the sales of the Merchants as well as the Company's online pharmaceutical businesses as more products and services are to be featured on the online platforms, the Company has numerous marketing plans to be executed in 2018 through cooperation with Alimama, including content marketing targeting particular customers, advertisements on AGH Relevant Entities' platforms to boost Merchants' sales, etc. We understand that the Company used certain percentage of the expected sales of the products in deriving the Advertising Annual Cap. We have compared this percentage with other e-commerce players including JD.com, Inc., VIPSHOP HOLDINGS LIMITED and SUNING.COM which were the top three B2C e-commerce players excluding Tmall in the first half of 2017 according to the 2017 First Half B2C Report and concluded that the percentage is below the range among other e-commerce players. As such, we are of the view that the percentage used in calculating the Advertising Annual Cap is not excessive and the Advertising Annual Cap is fair and reasonable.

Also, we note that applicable buffers were added into calculating the proposed annual caps under each of the 2019 CCT Agreements. Given the rapid growth of the pharmaceutical e-commerce business of the Company and the continuous growth of the e-commerce sector, we are of the view that it is fair and reasonable to apply sufficient buffers into calculating the proposed annual caps which allow the Company to have more flexibility in conducting continuing connected transactions with the relevant parties in response to the business growth.

In conclusion, we consider the proposed annual caps under each of the 2019 CCT Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

In relation to the 2019 CCT Agreements, we have considered the above principal factors and reasons and, in particular, having taken into account the followings in arriving at our opinion:

- (a) the entering into the 2019 CCT Agreements falls within the ordinary and usual course of business of the Group and it is in the interest of the Company and the Shareholders as a whole;
- (b) the AGH Annual Cap is fair and reasonable and in the interest of the Company and the Shareholders as a whole;
- (c) the Logistics Annual Cap is fair and reasonable and in the interest of the Company and the Shareholders as a whole;
- (d) the Tmall Annual Cap is fair and reasonable and in the interest of the Company and the Shareholders as a whole;
- (e) the Shared Services Annual Cap is fair and reasonable and in the interest of the Company and the Shareholders as a whole; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (f) the Advertising Annual Cap is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Having considered the above, we are of the view that the terms of each of the 2019 CCT Agreements are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group, and the proposed annual caps thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend the Independent Shareholders, to vote in favor of the ordinary resolutions in relation to the 2019 CCT Agreements and the proposed annual caps thereunder to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited
Li Lan
Director and Co-head of Corporate Finance

Mr. Li Lan is a licensed person registered with the Securities and Futures Commission and as responsible officer of Platinum Securities Company Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Li Lan has over eleven years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular or this circular misleading.

2. DIRECTORS' INTERESTS OR SHORT POSITIONS IN EQUITY SECURITIES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long Position in Shares

Name of Director	Nature of interest	Total interest in Shares	% of the existing issued Shares
Mr. WANG Lei	Beneficial, equity derivative interest ⁽¹⁾	15,150,000	0.15%
Mr. WU Yongming	Beneficial owner	1,262,000	0.01%
Mr. KANG Kai	Equity derivative interest ⁽²⁾	296,000	0.00%

Notes:

- (1) Subject to vesting, Mr. WANG Lei is interested in 737,000 ordinary shares and 14,413,000 shares underlying the 8,632,000 options and 5,781,000 restricted share units granted to him in accordance with the share award scheme adopted by the Company at the special general meeting held on November 24, 2014.
- (2) Subject to vesting, Mr. KANG Kai is interested in 296,000 shares underlying the 296,000 restricted share units granted to him in accordance with the share award scheme adopted by the Company at the special general meeting held on November 24, 2014.

Long Position in shares of associated corporation

Name of Director	Name of associated corporation	Nature of interest	Number of shares/ underlying shares held	% of issued shares of associated corporation
Mr. WANG Lei	Alibaba Holding	Beneficial, equity derivative interests and interests of spouse ⁽¹⁾	60,538	0.00%
		Beneficiary of a trust ⁽²⁾	20,000	0.00%
Mr. KANG Kai	Alibaba Holding	Beneficial and equity derivative interest ⁽³⁾	15,423	0.00%
Ms. ZHANG Yu	Alibaba Holding	Beneficial and equity derivative interest ⁽⁴⁾	64,859	0.00%
Mr. WU Yongming	Alibaba Holding	Beneficial and interests of spouse ⁽⁵⁾	231,017	0.01%
		Interests in controlled corporation ⁽⁶⁾	200,000	0.01%
		Founder of a discretionary trust ⁽⁷⁾	6,713,690	0.26%
Mr. YAN Xuan	Alibaba Holding	Beneficial interest	3,000	0.00%

Notes:

1. It represents 30,560 ordinary shares or underlying ordinary shares and 26,250 restricted share units beneficially held by Mr. WANG Lei and 3,728 ordinary shares or underlying shares and restricted share units held by his spouse.
2. It represents 20,000 ordinary shares or underlying ordinary shares held by a private trust whereby Mr. WANG Lei and his family are beneficiaries.
3. It represents 4,673 ordinary shares or underlying ordinary shares and 10,750 restricted share units beneficially held by Mr. KANG Kai.
4. It represents 17,875 ordinary shares or underlying ordinary shares and 46,984 restricted share units beneficially held by Ms. ZHANG Yu.
5. It represents 31,017 ordinary shares held by Mr. WU Yongming, and 200,000 ordinary shares held by his spouse.
6. It represents 200,000 ordinary shares or underlying ordinary shares held by Plus Force Enterprise Ltd. (which is wholly owned by Mr. WU Yongming).
7. It represents 6,713,690 ordinary shares or underlying ordinary shares held by Mr. WU Yongming through two private trusts whereby he is the founder of the discretionary trusts.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they would be taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Interests of Directors as Director or Employee of a Substantial Shareholder or any subsidiaries of a Substantial Shareholder

As at the Latest Practicable Date, save for the fact that:

- Mr. WU Yongming was a senior vice president of Alibaba Group and a special assistant to the chairman of the board of directors of Alibaba Holding;
- Mr. KANG Kai was a director (總監) of Tmall and head of the Tmall Pharmaceutical and Healthcare e-Commerce Business;
- Ms. ZHANG Yu was the vice president of finance of Alibaba Holding and the financial controller (財務負責人) and the supervisor (監事) of various subsidiaries of Alibaba Holding; and
- Mr. WANG Lei was a consultant to Alibaba Group,

none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares in the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP

As at the Latest Practicable Date, none of the Directors has, or has had, any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since March 31, 2017, the date to which the latest published audited financial statements of the Group were made up; and, except for any perceived material interest in transactions between members of Alibaba Group and the Company due to their role as employees of Alibaba Holding or its Subsidiaries, none of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, Mr. WU Yongming, a non-executive Director, was the controlling shareholder of Hangzhou Vision Plus Capital Management Company Limited* (杭州圓環投資管理有限公司), and Hangzhou Vision Plus Capital Management Company Limited* (杭州圓環投資管理有限公司) and its associates were one of the substantial shareholders of Choice Technology Inc., a company which operates a medical healthcare systems and data services platform, Beijing Huifukang Information Consultancy Co., Ltd* (北京惠福康信息諮詢有限公司), a company which operates an online doctor referral platform, Shanghai Mudi Biological Technology Co., Ltd.* (上海妙一生物科技有限公司), a company which operates online clinical research platform, and Yawlih Technology (Beijing) Co., Ltd.* (曜立科技(北京)有限公司), a company which provides hospital and other medical data cleansing technology solution. Those companies, directly or through their subsidiaries or associates or by way of other forms of investments, carry out businesses which are considered to compete or likely to compete with the businesses of the Group. As at the Latest Practicable Date, Mr. WU owned 1,262,000 Shares (approximately 0.01%) in the Company.

Save for the above, as at the Latest Practicable Date, none of the Directors or their respective associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. CONSENT OF EXPERT

The following is the qualification of the professional adviser who has given opinion or advice contained in this circular:

Name	Qualification
Platinum Securities Company Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The letter from Platinum is given as of the date of this circular for incorporation herein. Platinum has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

* For identification purpose only

As at the Latest Practicable Date, Platinum did not have: (a) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (b) any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since March 31, 2017, the date to which the latest published audited financial statements of the Group were made up.

7. MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since March 31, 2017, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 26/F, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, up to and including the date of the SGM:

- (i) each of the 2019 CCT Agreements;
- (ii) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 30 to 31 of this circular;
- (iii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 32 to 66 of this circular;
- (iv) the written consent referred to in the section headed “Consent of Expert” of this Appendix; and
- (v) this circular.

9. LANGUAGE

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

NOTICE OF SPECIAL GENERAL MEETING



ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED

阿里健康信息技術有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00241)

NOTICE OF SPECIAL GENERAL MEETING

Notice is hereby given that a special general meeting (the “SGM”) of Alibaba Health Information Technology Limited (the “Company”) will be held at Units 2302–2305, 23/F, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong on Thursday, March 29, 2018 at 10:30 a.m. for the purposes of considering and, if thought fit, passing (with or without amendments) the following ordinary resolutions:

ORDINARY RESOLUTIONS

“THAT

1. the renewed services framework agreement entered into between the Company, Alibaba.com China Limited (阿里巴巴網絡中國有限公司) and Taobao China Holding Limited (淘寶中國控股有限公司), on February 14, 2018, the continuing connected transactions contemplated thereunder and the proposed annual cap for the year ending March 31, 2019, be and are hereby confirmed, approved and ratified;
2. the renewed services agreement entered into between Alibaba Health Technology (China) Company Limited* (阿里健康科技(中國)有限公司), Zhejiang Tmall Network Co., Ltd* (浙江天貓網絡有限公司) and Zhejiang Tmall Technology Co., Ltd* (浙江天貓技術有限公司) on February 14, 2018, the continuing connected transactions contemplated thereunder and the proposed annual cap for the year ending March 31, 2019, be and are hereby confirmed, approved and ratified;
3. the renewed logistics services framework agreement entered into between the Company and Hangzhou Cainiao Supply Chain Management Co., Ltd* (杭州菜鳥供應鏈管理有限公司) on February 14, 2018, the continuing connected transactions contemplated thereunder and the proposed annual cap for the year ending March 31, 2019, be and are hereby confirmed, approved and ratified;

NOTICE OF SPECIAL GENERAL MEETING

4. the renewed shared services agreement entered into between the Company and Alibaba Group Holding Limited on February 14, 2018, the continuing connected transactions contemplated thereunder and the proposed annual cap for the year ending March 31, 2019, be and are hereby confirmed, approved and ratified;
5. the advertising services framework agreement entered into between the Company and Hangzhou Alimama Software Services Co., Ltd.* (杭州阿里媽媽軟件服務有限公司) on February 14, 2018, the continuing connected transactions contemplated thereunder and the proposed annual cap for the year ending March 31, 2019, be and are hereby confirmed, approved and ratified; and
6. any one or more of the directors of the Company (the “**Directors**”) for and on behalf of the Company be and are hereby authorized to sign, seal, execute and deliver all such documents and deeds, and do all such acts, matters and things as they may in their discretion consider necessary, desirable or expedient to give effect to and/or to implement the transactions contemplated in the Resolutions 1 to 5.”

By Order of the Board
ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED
WANG Lei

Chief Executive Officer and Executive Director

Hong Kong, March 13, 2018

Notes:

1. All resolutions at the SGM will be taken by poll pursuant to the Bye-laws and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
3. Any shareholder of the Company whose ownership is either recorded through the Central Clearing and Settlement System (CCASS) or maintained with a licensed securities dealer (i.e. not directly recorded in his own name in the Register of Members of the Company) shall only be entitled to vote by providing its instructions to vote to HKSCC Nominees Limited either directly as a CCASS Participant or through its licensed securities dealer and the relevant financial intermediaries. In order to attend and vote at the meeting, any such shareholder shall be appointed by HKSCC Nominees Limited as its proxy to attend and vote instead of him.

NOTICE OF SPECIAL GENERAL MEETING

4. In order to be valid, the form of proxy must be deposited at the Company's Hong Kong branch share registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. In the event of inconsistency, the English text of this notice shall prevail over the Chinese text.
6. As at the date of this notice, the Board comprises seven directors, of whom (i) one is an executive Director, namely Mr. WANG Lei; (ii) three are non-executive Directors, namely Mr. WU Yongming, Mr. KANG Kai and Ms. ZHANG Yu; and (iii) three are independent non-executive Directors, namely Mr. YAN Xuan, Mr. LUO Tong and Mr. WONG King On, Samuel.

* *English name for identification purposes only.*