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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)

(1) DISCLOSEABLE AND CONNECTED TRANSACTION
(2) CONTINUING CONNECTED TRANSACTIONS
AND
(3) 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 29 to 30 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 31 to 72 of this circular.

A notice convening the SGM to be held at Holiday Inn Express Hong Kong Causeway Bay, Meeting Room I & II, 7/F, 33 Sharp Street East, Causeway Bay, Hong Kong immediately after the conclusion of the special general meeting of the Company to be held at the same location on Monday, March 30, 2020 at 10:30 a.m. (or any adjournment thereof) is set out on pages 92 to 94 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 54, 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 11, 2020

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LETTER FROM THE BOARD



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)

Executive Directors:

Mr. SHEN Difan (*Chief Executive Officer*)

Mr. WANG Qiang

Non-executive Directors:

Mr. WU Yongming (*Chairman*)

Mr. WANG Lei

Mr. XU Hong

Independent Non-executive Directors:

Mr. LUO Tong

Mr. WONG King On, Samuel

Ms. HUANG Yi Fei (Vanessa)

Registered Office:

Victoria Place, 5th Floor

31 Victoria Street

Hamilton, HM 10

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 11, 2020

To the Shareholders

Dear Sir/Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
AND
(2) CONTINUING CONNECTED TRANSACTIONS**

1. INTRODUCTION

On February 6, 2020, the Board announced that the Company and the Vendor entered into the Share Purchase Agreement on February 6, 2020, pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, at Completion, the entire issued share capital of the Target Company in consideration for the issue of the Consideration Shares by the Company to the Vendor. On the same day, Taobao Holding and the Company entered into the Framework Technical Services Agreement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things:

- further details of the Share Purchase Agreement;
- further details of the Framework Technical Services Agreement;
- the advice and recommendations of the Independent Board Committee;
- the advice and recommendation of the Independent Financial Adviser; and
- notice of the SGM.

2. THE PROPOSED ACQUISITION AND THE FRAMEWORK TECHNICAL SERVICES AGREEMENT

2.1 Principal terms of the Share Purchase Agreement

A summary of the key terms of the Share Purchase Agreement is set out below.

(1) Date

February 6, 2020

(2) Parties

- (a) The Company as the purchaser; and
- (b) Ali JK Nutritional Products Holding Limited as the vendor.

The Vendor is a direct wholly-owned Subsidiary of Alibaba Holding, the ultimate majority shareholder of the Company. Accordingly, the Vendor is a connected person of the Company and the transaction contemplated under the Share Purchase Agreement will constitute a connected transaction under the Listing Rules.

(3) The Proposed Acquisition

Pursuant to the Share Purchase Agreement, the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the entire issued share capital in the Target Company.

The Target Company is an offshore holding vehicle which is an indirect wholly-owned Subsidiary of Alibaba Holding. The Target Company, through the WFOE or the HK Subsidiary (as the case may be), will hold (i) the ownership and operation of all Merchant relationships with the Target Merchants for the sales of Target Products and Services on the Tmall Platforms and (ii) the employment relationships with the relevant marketing and operations personnel managing the relationships with the Target Merchants.

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The “**Target Products and Services**” are defined as the Tmall Products and Services and the Tmall Global Products and Services.

The “**Tmall Products and Services**” are comprised of the following products and/or services.

- the Pharmaceutical Products sold on Tmall (including through Tmall Supermarket);
- the Medical Purpose Food Products sold on Tmall (including through Tmall Supermarket); and
- the Medical Devices, the Adult Products, the Healthcare Products, the Medical and Healthcare Services and the Target Blue Cap Health Food sold through Tmall Supermarket only.

The “**Tmall Global Products and Services**” are comprised of the following products and/or services sold on Tmall Global:

- the Pharmaceutical Products;
- the Medical Devices;
- the Healthcare Products;
- the Medical Purpose Food Products; and
- the Medical and Healthcare Services.

Upon Completion, the Target Company will become a direct wholly-owned Subsidiary of the Company, and the financial results of the Target Group will be consolidated into the Group’s accounts.

(4) The Consideration

The Consideration for the Share Purchase Agreement is HK\$8.075 billion, which was determined after arm’s length negotiations between the Company and the Vendor. The Consideration will be satisfied by the Company issuing 860,874,200 Consideration Shares to the Vendor. The Issue Price will be HK\$9.38 per Consideration Share, subject to proportional adjustments in the event of a share split, share combination, share dividend or similar events with respect to the capital of the Company prior to Completion.

For a period of 18 months from Completion, the Vendor has agreed that it will not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or other third party rights in respect of the Consideration Shares issued to it without the Company’s prior written consent. However, the Company’s prior written consent will not be required where the person to whom any of the Consideration Shares issued to the Vendor are

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transferred also undertakes to (a) bear a pro rata portion of any liabilities of the Vendor for breach of its warranties under the Share Purchase Agreement and (b) be subject to this restriction in respect of any subsequent transfer by such transferee.

The Consideration Shares represents approximately 7.13% of the issued share capital of the Company as at the Latest Practicable Date and approximately 6.66% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. Based on the current shareholding structure of the Company, the Company will continue to be able to satisfy the public float requirement under the Listing Rules following issue of the Consideration Shares.

No original acquisition cost was involved for the Target Business as Alibaba Holding established and grew the Target Business, and did not acquire it from a third party. The Consideration was arrived at after arm's length negotiations between the Company and the Vendor, taking into account various factors, including:

- (a) the GMV, financial performance and market position of the Target Business which has been steadily growing, including the Target Business' strengths as one of the leading e-commerce sales platforms for most of the Target Products and Services;
- (b) the growth potential of the Target Business, particularly in light of increasing healthcare expenditure in the PRC, the relatively low penetration rate of online B2C pharmaceutical sales in the PRC and a trend towards more consumers buying healthcare products and services online;
- (c) the strategic value of the Target Business to the Group's healthcare ecosystem and potential cross-selling opportunities with the Target Merchants (such as market solutions across other platforms and online), as well as the operational expertise of the Target Business as one of the first e-commerce businesses covering the Target Products and Services and servicing the Target Merchants; and
- (d) the value to the Company of the New Deed of Non-competition, which will result in the Company having an exclusive relationship with the Target Merchants in respect of sales transactions of the DNC Restricted Products and the DNC Restricted Services (subject to the scope and certain exceptions detailed below) allowing it to build closer relationships with the DNC Target Merchants and to benefit exclusively from the large volume of traffic generated on the Tmall Platforms in relation to the DNC Restricted Products and DNC Restricted Services.

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The Company considered whether there was need for a valuation of the Target Company by a professional valuer. However, it considered that management was well-positioned to assess the Target Business and the valuation of the Target Company without engaging a professional valuer given that:

- (a) the Target Business has been in operation since around 2011 so is not a new business;
- (b) the Company's management possesses sufficient experience and expertise in the field of business to which the Target Company belongs, including:
 - (i) specifically given that the Company already provides outsourced and value-added services to Alibaba Group that includes services in respect of the Target Business so it has a good understanding of the Target Business' operational and financial situation;
 - (ii) the Company also operates its own self-operated pharmacy business, which also sells healthcare products, including some Target Products and Services;
 - (iii) in relation to Medical and Healthcare Services, the Company also has experience and expertise given that it regularly deals with hospitals and other medical institutions in its Internet-based medical services and intelligent medicine businesses; and
 - (iv) in relation to the Medical Devices, the Adult Products, the Healthcare Products, the Medical and Healthcare Services and the Target Blue Cap Health Food sold through Tmall Supermarket and the Medical Devices, the Healthcare Products and the Medical and Healthcare Services sold through Tmall Global, the Company has experience and expertise given that it already owns and operates the business in relation to these products sold through Tmall.
- (c) the Company's management also has experience in the evaluation of the financial performance and market position of the Target Business given that:
 - (i) as the Company provides outsourced value-added services to Alibaba Group that includes, among other things, tracking market trends and policy updates, it has a good understanding of the regulatory environment and competitive landscape in which the Target Business operates and accordingly, its market position;

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- (ii) it has direct relevant experience accumulated from the Company's acquisition of blue cap health food business in 2017 and medical devices and healthcare products, adult products and medical and healthcare services business in 2018 under similar deal structures;
- (iii) the Company has been evaluating and making investments in the medical and healthcare products and services sector which covers the Target Products and Services; and
- (iv) while the transaction is a connected transaction under the Listing Rules and there are Directors that have an actual conflict of interest, such Directors have abstained from voting on the relevant board resolutions in respect of the Proposed Acquisition. At the same time, the Company's management team includes persons who are experienced in the healthcare industry, e-commerce business and internet business, etc. who together are well positioned to evaluate the Target Business.

The Company also conducted its own valuation of the Target Business using an enterprise value to GMV multiple (the "**GMV Method**") measured against publicly listed companies engaged in businesses similar to that of the Target Business after considering factors such as market capitalisation, business model and portion of revenue generated from e-commerce platforms (the "**Comparable Companies**")¹.

Based on the financial information of the Target Business for the financial year ended March 31, 2019, the Target Business' GMV was approximately RMB9.58 billion. The Company calculated a set of metrics using the enterprise value-to-gross merchandise volume ratio (the "**EV/GMV**"). The GMV was multiplied by a Comparable Companies range from approximately 0.46 times to approximately 0.97 times (the "**EV/GMV Range**"), which resulted in an average of approximately 0.72 times (the "**EV/GMV Average**") and a median also of approximately 0.72 times (the "**EV/GMV Median**"). By taking the GMV multiplied by the EV/GMV Median, the enterprise value was determined to be approximately RMB6.89 billion (equivalent to approximately HK\$7.73 billion). The Company's management considered and reported to the Board accordingly that the valuation produced by the GMV Method was in line with the Consideration to be paid in light of the additional factors set out above.

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Note:

1. The Company's management reviewed and referenced the average multiples of Comparable Companies including Alibaba Holding, JD.com, Inc., Pinduoduo Inc. and Vipshop Holdings Limited. The Comparable Companies were selected with reference to factors including: (i) companies that are primarily engaged in e-commerce business in the PRC with a market capitalization over RMB10 billion; (ii) companies that have a similar business model to the Target Company whereby consumers need to select the product and enter into a transaction with merchants using an online platform; (iii) companies with at least 50% of revenue or total transaction value generated from its B2C e-commerce online platform in the PRC; and (iv) companies currently listed on the Stock Exchange, NASDAQ or New York Stock Exchange. Based on the above, the Company's management is of the view that the Comparable Companies are fair and representative samples.

Table 1: Comparable Companies analysis

Company Name	Ticker	Market Cap <i>(in RMB billions)</i>	EV/GMV <i>(times)</i>
Alibaba Holding	9988.HK	4,156	0.67
JD.com, Inc.	NASDAQ: JD	408	0.76
Pinduoduo Inc.	NASDAQ: PDD	293	0.97
Vipshop Holdings Limited	NYSE: VIPS	65	0.46
		Maximum	0.97
		Minimum	0.46
		Average	0.72
		Median	0.72

(5) The Issue Price

The Issue Price represents:

- (a) a discount of approximately 19.3% to the closing price of the Shares of HK\$11.62 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 15.5% to the average VWAP for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$11.10 per Share;
- (c) a discount of approximately 14.5% to the average VWAP for the ten consecutive trading days up to and including the Last Trading Day of approximately HK\$10.97 per Share;

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- (d) a discount of approximately 11.8% to the average VWAP for the fifteen consecutive trading days up to and including the Last Trading Day of approximately HK\$10.64 per Share;
- (e) a discount of approximately 9.9% to the average VWAP for the twenty consecutive trading days up to and including the Last Trading Day of approximately HK\$10.42 per Share;
- (f) a discount of approximately 6.0% to the average VWAP for the thirty consecutive trading days up to and including the Last Trading Day of approximately HK\$9.98 per Share;
- (g) a discount of approximately 2.1% to the average VWAP for the forty-five consecutive trading days up to and including the Last Trading Day of approximately HK\$9.58 per Share;
- (h) a premium of approximately 1.4% to the average VWAP for the sixty consecutive trading days up to and including the Last Trading Day of approximately HK\$9.25 per Share;
- (i) a premium of approximately 8.8% to the average VWAP for the ninety consecutive trading days up to and including the Last Trading Day of approximately HK\$8.62 per Share; and
- (j) a discount of approximately 36.9% to the closing price on the Latest Practicable Date of approximately HK\$14.86 per Share.

The Issue Price was arrived at after arm's length negotiations between the Company and the Vendor, taking into account various factors, including:

- (a) the share price performance of the Company in the ninety trading days prior to the Last Trading Day; and
- (b) application of an appropriate discount for a substantial placing such as the one contemplated under the Share Purchase Agreement,

as well as the factors described above.

(6) Completion and conditions precedent

Completion will take place on the Business Day immediately following the satisfaction or waiver of certain conditions precedent including:

- (a) the passing by the Independent Shareholders at a duly convened Shareholders' meeting of the Company of resolutions approving the Proposed Acquisition, including but not limited to, the issue of the Consideration Shares pursuant to the Share Purchase Agreement and the non-exempt continuing connected transactions by the members of the Group as contemplated under the Framework Technical Services Agreement;

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- (b) the granting of the approval of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares;
- (c) the completion of the business restructuring as set out in a detailed plan agreed among the parties (“**Business Restructuring**”) including the assignment to the WFOE or the HK Subsidiary (as the case may be) of the relationships with at least 450 Existing Target Merchants;
- (d) the Vendor and/or its related companies having obtained all necessary consents and approvals from the relevant governmental or regulatory authorities or other third parties required for the transactions contemplated by the Business Restructuring and the execution and performance by the Vendor of the Share Purchase Agreement and the Proposed Acquisition;
- (e) the Company having obtained all necessary consents and approvals from the relevant governmental or regulatory authorities or other third parties required for the execution and performance by the Company of the Share Purchase Agreement and the Proposed Acquisition; and
- (f) no governmental authority in any relevant jurisdiction having enacted any laws, rules or regulations which might render Completion or the Business Restructuring or any part thereof unlawful.

The Company is entitled in its absolute discretion, by written notice to the Vendor, to waive the conditions precedent set out in paragraphs (c) and (d) above, either in whole or in part. The right of the Company to waive such conditions precedent provides the Company with the flexibility to allow the Proposed Acquisition to proceed if the Business Restructuring is implemented with minor deviations from the agreed plan.

The Vendor is entitled in its absolute discretion, by written notice to the Company, to waive the conditions precedent set out in paragraph (e) above, either in whole or in part.

If any of the conditions precedent sets out above has not been fulfilled (or waived) on or before June 30, 2020, or such later date as may be agreed in writing between the Company and the Vendor, the Share Purchase Agreement shall automatically terminate with immediate effect pursuant to its terms. For the avoidance of doubt, Completion will not be earlier than March 31, 2020.

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(7) Business Restructuring

For each Existing Target Merchant, the Vendor has agreed to use all reasonable endeavors to procure the relevant parties to, as soon as reasonably practicable, to the extent applicable, enter into a Tripartite Agreement among (i) such Existing Target Merchant, (ii) the WFOE or the HK Subsidiary (as applicable) and (iii) the Tmall Entities or Taobao China (as applicable) (the “**Merchant Assignment**”).

(8) Transition Period

If the Merchant Assignment of any Existing Target Merchant has not been completed as of Completion (such Target Merchant, the “**Non-assigned Target Merchant**”), the Vendor shall continue to use reasonable endeavors to complete such Merchant Assignment as soon as reasonably practicable. For each of the Non-assigned Target Merchants, the Vendor shall, promptly after the Transition Period, pay or cause to be paid to the Company such portion of the software service fees actually received by the Tmall Entities and Taobao China (after all discounts, rebates and other incentives) from such Non-assigned Target Merchant in respect of the sale of Target Products and Services by such Non-assigned Target Merchant on Tmall during the Transition Period as would have been received by the Company less the relevant Tmall Software Service Fee had the Merchant Assignment of such Non-assigned Target Merchant been completed at or before Completion.

The Transition Period commences on the date of Completion and ends on the earliest of (i) completion of the Merchant Assignment of the Non-assigned Target Merchant, and (ii) the termination or expiration of the Existing Target Merchant Contract.

2.2 The proposed New Deed of Non-competition

We refer to:

- the Company’s announcement dated May 19, 2017 and circular dated June 12, 2017 in relation to the Initial Deed entered into between the Company and Alibaba Holding on June 30, 2017; and
- the Company’s announcement dated May 29, 2018 and circular dated July 16, 2018 in relation to the Second Deed entered into between the Company and Alibaba Holding on August 2, 2018 (together, the “**Prior Deeds**”).

The Prior Deeds were entered into to ensure that there would be no competition between the business of the Group and the business of Alibaba Group (excluding the Group) with respect to the sales of certain restricted products and services.

LETTER FROM THE BOARD

The existing non-competition arrangements between the Company and Alibaba Holding are documented separately in the Prior Deeds which were entered into in 2017 and 2018. The business of the Group with respect to restricted products and services has evolved over time. Therefore, to update and streamline the non-competition arrangements between the Company and Alibaba Holding, the parties have agreed on the form of the New Deed of Non-competition which is to be entered into between the Company and Alibaba Holding on or before Completion. The New Deed of Non-competition restates and amends the scope of the restricted products and services and supersedes the Prior Deeds to clarify the delineation of business between the Group and Alibaba Group with respect to the sale of the DNC Restricted Products and DNC Restricted Services.

The restricted products and services under the New Deed of Non-competition are comprised of the DNC Restricted Products and the DNC Restricted Services.

The “**DNC Restricted Products**” are comprised of the following products:

- (a) the Adult Products;
- (b) the Healthcare Products;
- (c) the Medical Devices;
- (d) the Pharmaceutical Products;
- (e) the Medical Purpose Food Products; and
- (f) the Target Blue Cap Health Food.

The “**DNC Restricted Services**” are comprised of the Medical and Healthcare Services.

The New Deed of Non-competition provides that, other than the Excluded Scope and the Permitted Scope, Alibaba Holding will not, and will procure that its Affiliates (excluding the Group) will not, directly or indirectly, alone or jointly with another person, in any form, engage in the Restricted Business during the Non-competition Period.

“**Restricted Business**” means facilitating sales transactions of:

- (a) DNC Restricted Products using a business-to-consumer (B2C) transaction model in the PRC; and
- (b) DNC Restricted Services on Tmall (including through Tmall Supermarket) and Tmall Global.

“**Excluded Scope**” means:

- (a) the facilitation of sales transactions of Adult Products on Tmall Global; and

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- (b) the facilitation of sales transactions of DNC Restricted Products or DNC Restricted Services:
 - (i) on Kaola;
 - (ii) on Taobao Marketplace by Taobao Marketplace merchants;
 - (iii) by Intime Retail (Group) Company Limited and its Affiliates on any platform other than the Tmall Platforms;
 - (iv) on any other platform acquired by Alibaba Holding following the date of the New Deed of Non-Competition; and
 - (v) using takeaway delivery model (外賣模式) on Ele.me, Koubei and other platforms Controlled or to be Controlled by Alibaba Holding.

The Non-competition Period commences on Completion and ends on the earliest of:

- (a) the Shares ceasing to be listed on the Stock Exchange;
- (b) Alibaba Holding ceasing to beneficially own an aggregate of 30% or more of the voting securities of the Company;
- (c) the Company ceasing to be a subsidiary (as defined in the Listing Rules) of Alibaba Holding; or
- (d) Alibaba Holding no longer being the single largest Shareholder (aggregated with the Shares beneficially owned by persons acting in concert with Alibaba Holding).

The “**Permitted Scope**” includes:

- (a) the conduct of Restricted Business pursuant to any then-effective Existing Target Merchant Contract until the earlier of: (x) the expiration of such Existing Target Merchant Contract in accordance with its terms; and (y) the entering into a Tripartite Agreement in respect of such Existing Target Merchant Contract among (i) the DNC Target Merchant, (ii) the WFOE or the HK Subsidiary (as the case may be) and (iii) the Tmall Entities or Taobao China (as the case may be);
- (b) the conduct of activities pursuant to the terms of the Tripartite Agreements to be entered into among (i) the DNC Target Merchant, (ii) the WFOE or the HK Subsidiary (as the case may be) and (iii) the Tmall Entities or Taobao China (as the case may be);

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- (c) the conduct of business activities pursuant to the terms of any framework technical services agreement entered into between Alibaba Holding (or its Affiliates) and the Company (or its Affiliates) relating to the DNC Restricted Products and DNC Restricted Services, including the collection of service fees thereunder; and
- (d) the conduct of any business with the Company's prior written consent.

Under the New Deed of Non-competition, Alibaba Holding undertakes, during the Non-competition Period, to cause its applicable Affiliates to (i) require that the DNC Target Merchants list the DNC Restricted Products and DNC Restricted Services for sale on the Tmall Platforms (as the case may be and save as permitted within the Excluded Scope and the Permitted Scope) in accordance with any framework technical services agreement entered into between Alibaba Holding (or its Affiliates) and the Company (or its Affiliates) that is relating to the DNC Restricted Products and DNC Restricted Services, and (ii) use reasonable efforts to identify and remove from listing on the Tmall Platforms (as the case may be and save as permitted within the Excluded Scope and the Permitted Scope) any DNC Restricted Product or DNC Restricted Service that is listed contrary to the requirement in (i) above. Alibaba Holding also undertakes, during the Non-competition Period, to ensure that any new business opportunities that it or its Affiliates (excluding the Group) identify, or are offered, which fall within the scope of the Restricted Business, are offered to the Company. Such new business opportunities will not be taken up by Alibaba Holding or its Affiliates (excluding the Group).

In determining the DNC Restricted Products and DNC Restricted Services, the Company made reference to the existing restricted products and services under the Prior Deeds and the Target Products and Services under the Proposed Acquisition to ensure there was a clear delineation between the business of the Company and Alibaba Holding. The Excluded Scope has also been redefined on the basis of the current scope of business of Alibaba Holding which has evolved since the Prior Deeds.

2.3 The Framework Technical Services Agreement

Before the Proposed Acquisition, Taobao Holding (through its Subsidiaries, including the Tmall Entities and Taobao China) incurred costs to service the Target Merchants and provide the technical services and platform where they sold Target Products and Services. Following Completion, while the Company will provide e-commerce platform maintenance related software services to the Target Merchants, Taobao Holding and its Subsidiaries will continue to provide access to its e-commerce platforms to the Target Merchants and incur operating costs for the provision of the technical services and the platforms. Taobao Holding and the Company entered into the Framework Technical Services Agreement on February 6, 2020 to set out the terms of services to be provided by Taobao Holding and its Subsidiaries and the relevant Tmall Software Service Fees.

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The transactions contemplated under the Framework Technical Services Agreement constitute non-exempt continuing connected transactions for the Company under the Listing Rules. The principal terms of the Framework Technical Services Agreement are set out as follows.

(1) *Date*

February 6, 2020

(2) *Parties*

- (a) The Company (for itself and on behalf of its Subsidiaries and Affiliates); and
- (b) Taobao Holding (for itself and on behalf of its Subsidiaries and Affiliates).

(3) *Term and termination*

Subject to the approval of the Proposed Acquisition and the Framework Technical Services Agreement by the Independent Shareholders at the SGM, the term of the Framework Technical Services Agreement will commence on the day following Completion and end on March 31, 2023, unless otherwise mutually agreed between the parties. For the avoidance of doubt, Completion will not be earlier than March 31, 2020 and therefore the Framework Technical Services Agreement will not commence earlier than April 1, 2020. The parties will determine whether to renew the Framework Technical Services Agreement 60 days before it expires.

(4) *Services to be provided*

Pursuant to the terms of the Framework Technical Services Agreement, after Completion, Taobao Holding will procure its Subsidiaries, including the Tmall Entities and Taobao China, to continue to provide infrastructure technical support for the operation of Tmall Platforms, including the following services:

- (a) Software technical support: Taobao Holding and its Subsidiaries will provide infrastructure technical support to the Company and its Affiliates or the Target Merchants as requested by the Company for the Tmall Software Service Fees. The infrastructure technical support includes product information display and Internet transaction services on the Tmall Platforms and related software technology services;
- (b) Internet information services and secondary domain names: As the platform provider and operator, Taobao Holding and its Subsidiaries will provide Tmall.com and Tmall.hk and the secondary domain names to the Target Merchants as a platform for the Target Merchant's operation of business; and

LETTER FROM THE BOARD

- (c) Other services: Taobao Holding and its Subsidiaries may provide the Target Merchants with additional services including but not limited to marketing services and Merchant customer services on the Tmall Platforms. Taobao Holding and its Subsidiaries will not charge the Company for those services unless the Company requests such services whereupon the parties will agree on a separate service fee.

From time to time the Tmall Entities and/or Taobao China may organize platform-wide promotional events through which they coordinate with the Merchants on the Tmall Platforms, including the Target Merchants through the Company, to offer discounts to consumers over a period of time and implement a number of customer loyalty programs to encourage repeat shopping.

(5) Tmall Software Service Fees and annual caps

The Company shall pay the Tmall Software Service Fees to Taobao Holding and its Subsidiaries equal to 40% of the Company Software Service Fees received by the Company from the Target Merchants for transactions selling Pharmaceutical Products and 50% of the Company Software Service Fees received by the Company from the Target Merchants for transactions selling the Target Products and Services other than the Pharmaceutical Products (the “**Other Target Products and Services**”) on the Tmall Platforms and utilizing services provided by Taobao Holding and its Subsidiaries. The Company Software Service Fees are currently up to 4% of the value of completed sales of Target Products and Services sold on the Tmall Platforms, and will be deducted from the receivables of the relevant Target Merchant and paid to the Company after a customer confirms the receipt of the products he or she purchases. The vice president of the finance department of the Company will cross-check the amount of the Tmall Software Service Fees being paid to Taobao Holding and its Subsidiaries on a monthly basis to ensure the accuracy of the amount

The Tmall Software Service Fees shall be settled in cash on a monthly basis. The Tmall Software Service Fees have been determined with reference to:

- (i) the historical level of costs that have been incurred by Taobao Holding (through its Subsidiaries, including the Tmall Entities and Taobao China) to service the Target Merchants before the Proposed Acquisition, including the provision of technical services and platforms to the Target Merchants; and
- (ii) the approximate split of projected near term costs that will be incurred by the Company and Taobao Holding and its Subsidiaries following Completion with reference to the support and resources that will need to be provided to Target Merchants. While the Company will provide e-commerce platform maintenance related software services to the Target Merchants, Taobao Holding and its Subsidiaries will continue to provide access to its e-commerce platforms to the Target Merchants and incur operating costs for the provision of the technical services and the

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platforms following Completion. Specifically, the Tmall Software Services Fees are lower for Pharmaceutical Products because it is expected that the Company will incur a higher level of costs to support the sales of Pharmaceutical Products for Target Merchants as it will provide additional services such as e-commerce platform maintenance related software services for hospitals and doctors, prescription processing, safety and risk management systems and services and risk control.

The Directors, including the independent non-executive Directors (after taking into account the advice of the Independent Financial Adviser), are of the view that the above pricing mechanism of the Framework Technical Services Agreement is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The proposed annual caps (where applicable) in respect of the fees payable to Taobao Holding and its Subsidiaries under the Framework Technical Services Agreement are RMB262 million, RMB464 million and RMB799 million for each of the financial years ending March 31, 2021, 2022 and 2023, respectively.

The proposed annual caps for the applicable period in respect of the Framework Technical Services Agreement were arrived at after considering the historical revenue of Tmall attributable to the Target Business for recent financial years (i.e. RMB149 million and RMB192 million in the financial years ended March 31, 2018 and 2019, respectively). Further, the Company's management looked at the revenue of Tmall for the Target Business for the last two financial years as a starting base to project the revenue of Tmall for the Target Business, followed by the growth of Tmall's revenue as a whole over the last few years, as well as the growth of the overall healthcare market in China. In particular, the Company's management considered that following the revision of the Drug Administration Law (《藥品管理法》) (which became effective in December 2019), which no longer restricts the completion of prescription drugs sales transactions online, the Target Business sales of pharmaceutical products would greatly accelerate.

The reasons are twofold:

- (i) the Target Business' sales, which were mainly comprised of sales of over-the-counter drugs previously, will now be augmented by the additional sales of prescription drugs online; and
- (ii) the recent healthcare policies in China which require centralized procurement of pharmaceutical products by hospitals have had the effect of increasing sales of pharmaceutical products through pharmacies and the Company's management expects the trend to continue and that it will bring about accelerated growth of pharmaceutical products online.

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Finally, the Company's management believes that the Company is well-positioned to take advantage of these developments to grow the Target Business especially because of its strengths and experience in e-commerce and in online systems, and its capability to establish and operate sophisticated prescription processing and safety and risk management systems and services, which altogether will further consolidate its market position as a trusted retailer of and retail platform for pharmaceutical products and drive sales of those products.

(6) Internal controls for the Framework Technical Services Agreement

The Company has internal controls in place to monitor the implementation of the annual caps, including a written policy which sets out the proper steps for escalating information regarding the usage of the proposed annual caps from the operating team to the executive officers, including monthly reports to the Company's chief executive officer, chief financial officer and general counsel and then to the independent non-executive Directors where required. The Company's operating team will have day-to-day interaction with the Target Merchants and will be able to closely monitor applicable GMV on a weekly basis.

The Company will continue to closely monitor the implementation of the Framework Technical Services Agreement 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 the Framework Technical Services Agreement annually to check and confirm (among others) whether the pricing terms have been adhered to and whether the relevant annual caps have been exceeded. The Framework Technical Services Agreement includes a customary provision pursuant to which Taobao Holding agrees to allow the Company and its auditors access to information necessary to report on the non-exempt continuing connected transactions.

The independent non-executive Directors will review the continuing connected transactions under the Framework Technical Services Agreement 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 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.

LETTER FROM THE BOARD

(7) The Tripartite Agreements

In order to open a storefront on Tmall or Tmall Global, each of the Target Merchants has accepted the terms of an Existing Target Merchant Contract. As part of the Business Restructuring, the Vendor has agreed to use all reasonable endeavors to procure:

- (a) in respect of Target Merchants on Tmall, each of the relevant Target Merchants and the Tmall Entities to enter into a Tmall Tripartite Agreement with the WFOE; and
- (b) in respect of Target Merchants on Tmall Global, each of the relevant Target Merchants and Taobao China to enter into a Tmall Global Tripartite Agreement with the HK Subsidiary.

The Tmall Tripartite Agreements and the Tmall Global Tripartite Agreements (together, the “**Tripartite Agreements**”) are ancillary implementation agreements to the Framework Technical Services Agreement.

The parties to the Framework Technical Services Agreement have agreed on the form of the Tripartite Agreements which is a supplemental agreement to the Existing Target Merchant Contract with respect to Target Products and Services.

Pursuant to the terms of the Tripartite Agreements, the WFOE or the HK Subsidiary (as the case may be) will provide e-commerce platform maintenance related software services to the Target Merchants for a fee. Those services involve the: (i) Merchants admission system; (ii) product quality control system; and (iii) Merchants operational and maintenance services system. They include:

- tracking market trends and policy updates and updating Merchants on material policy updates;
- Merchant business operation and management, including handling certain matters relating to signing and renewal of tripartite agreements with (i) the Target Merchants and (ii) the Tmall Entities and Taobao China (as applicable), reviewing product information and images displayed by Merchants, reviewing the documents required for Merchants’ admission, formulating and implementing quality control rules and conducting regular inspections;
- Merchant customer services, including providing helpline support for Merchants on the process of admission to the Tmall Platforms 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;

LETTER FROM THE BOARD

- 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;
- in respect of Pharmaceutical Products, prescription processing and safety and risk management systems and services; and
- 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).

The Tmall Entities and Taobao China will provide the Target Merchants with: (i) information display services on the platform and Merchants' storefronts; (ii) software technology services in respect of the credit points system on the Tmall Platforms; and (iii) the secondary domain names for the Target Merchants. The Merchants can seek general customer service support from the Tmall Entities and Taobao China, for instance, in relation to technical issues encountered on the Tmall Platforms.

2.4 The 2020 Outsourced Services Agreement

We refer to the Company's announcement dated January 30, 2019 and circular dated March 13, 2019 in relation to the 2020 Outsourced Services Framework Agreement entered into between Taobao Holding and Alibaba Health Beijing (an indirect wholly-owned Subsidiary of the Company). Under the 2020 Outsourced Services Framework Agreement, Alibaba Health Beijing agreed to provide Taobao Holding with certain outsourced and value-added services in relation to certain Target Products and Services which relate to the Target Business that is proposed to be transferred to the Group under the Proposed Acquisition.

Following Completion, Taobao Holding will no longer require the outsourced and value-added services provided under the 2020 Outsourced Services Framework Agreement relating to the Target Products and Services on Tmall. The 2020 Outsourced Services Agreement will expire on March 31, 2020, which will be on or prior to Completion. Accordingly, the 2020 Outsourced Services Agreement will not need to be amended.

2.5 Application for listing of the Consideration Shares

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares to be allotted and issued pursuant to the Share Purchase Agreement.

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2.6 Effect of the Proposed Acquisition on the shareholding structure of the Company

The following table illustrates the shareholding structure of the Company: (i) as at the Latest Practicable Date; and (ii) immediately after Completion (assuming there is no change in the issued share capital of the Company other than the issue of the Consideration Shares between the Latest Practicable Date and Completion).

	As at the Latest Practicable Date		Immediately after Completion	
	<i>Number of Shares</i>	%	<i>Number of Shares</i>	%
Non-public Shareholders				
— Perfect Advance	3,103,816,661	25.71	3,103,816,661	24.00
— Ali JK Nutritional Products Holding Limited	3,699,911,207	30.64	4,560,785,407	35.26
— Innovare Tech Limited	1,232,811,347	10.21	1,232,811,347	9.53
— Antfin (Hong Kong) Holding Limited	60,576,000	0.50	60,576,000	0.47
— Directors of the Company	13,500,769	0.11	13,500,769	0.10
— Directors of the Subsidiaries	5,052,284	0.04	5,052,284	0.04
Public Shareholders				
— Other shareholders	<u>3,958,194,456</u>	<u>32.78</u>	<u>3,958,194,456</u>	<u>30.60</u>
Total	<u>12,073,862,724*</u>	<u>100%</u>	<u>12,934,736,924</u>	<u>100%</u>

* Since the last monthly return submitted by the Company under Rule 13.25B of the Listing Rules, the Company had issued a total of 1,040,000 Shares due to the exercise of share options by certain employees of the Company under the Company's share award scheme. Such options were not exercised by a Director and hence a next day disclosure return was not submitted by the Company under Rule 13.25 A (1) of the Listing Rules.

2.7 Information on the Target Group and the Target Business

The Target Company is an offshore holding vehicle incorporated in the British Virgin Islands and an indirect wholly-owned Subsidiary of Alibaba Holding. The Target Company, through the WFOE or the HK Subsidiary (as applicable), will hold the Target Business after the Business Restructuring.

The Target Business comprises (i) all Merchant relationships with the Target Merchants for the sales of Target Products and Services on the Tmall Platforms and (ii) the employment relationships with relevant marketing and operations personnel managing the relationships with the Target Merchants. The Target Business generated a GMV of approximately RMB9,575 million and had approximately 35.8 million annual active buyers for the financial year ended March 31, 2019. As of January 31, 2020, the Target Business had more than 530 Target Merchants authorized by the Tmall Entities and Taobao China to sell Target Products and Services on the Tmall Platforms.

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Based on the unaudited financial information of the Target Business prepared in accordance with HKFRS as of March 31, 2019, the net asset value of the Target Business was nil. Set out below is the key unaudited financial information of the Target Business for each of the financial years ended March 31, 2018 and 2019.

	For the year ended March 31,	
	2018	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	148,577	191,805
Gross profit (*)	75,863	97,927
Profit before taxation (*)	<u>55,356</u>	<u>70,180</u>
Net profit (*)	<u><u>47,052</u></u>	<u><u>59,653</u></u>

* The gross profit, profit before taxation and net profit are adjusted on the assumption that the Framework Technical Services Agreement was in effect from April 1, 2017. The adjustments include (i) 40% of the Company Software Service Fees received from the Merchants that would have been paid to Taobao Holding or its Affiliates in respect of Pharmaceutical Products and 50% of the Company Software Service Fees received from the Merchants that would have been paid to Taobao Holding or its Affiliates in respect of the Other Target Products and Services; (ii) expenses originally accounted for by the Target Business namely marketing and customer acquisition expenses, traffic acquisition costs, co-location and bandwidth costs, other costs of service, depreciation recharges and reallocation expenses were excluded; and (iii) sales taxes and surcharges and income tax expense were recalculated based on adjusted financial information with applicable tax rate.

By acquiring the Target Business, the Company intends to provide value-added services to the Target Merchants after Completion to deliver more healthcare-focused solutions to the Target Merchants and improve their user experience as it has been the intention to develop the Company into the healthcare flagship of Alibaba Holding. Those value-added services will include:

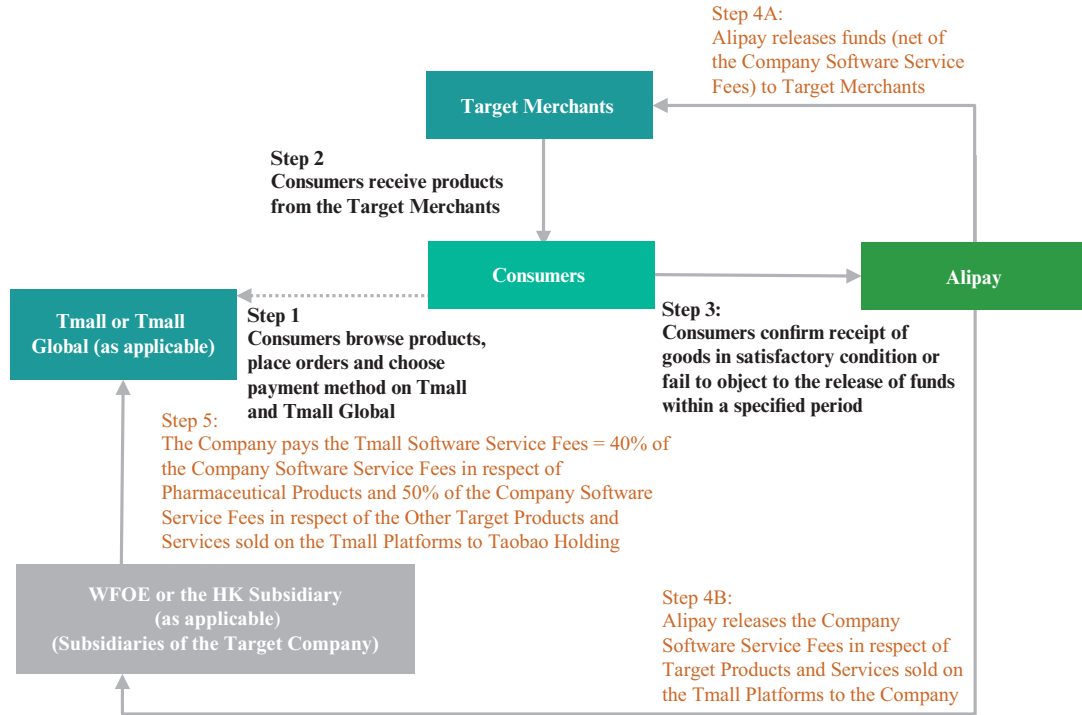
- tracking market trends and policy updates and updating Merchants on material policy updates. For example, the WFOE or the HK Subsidiary (as applicable) will update Merchants on any policy changes and provide analysis of how such changes might impact Merchants' business, and on trends to help Merchants identify opportunities or areas to focus on in their business;

LETTER FROM THE BOARD

- Merchant customer services, including providing helpline support for Merchants on the process of admission to the Tmall Platforms 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 keywords 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 to emphasize brand recognition;
- 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;
- in respect of Pharmaceutical Products, prescription processing and risk management services, including prescription processing software services (as applicable) and rational use of drugs system services etc.; and
- technical support, including providing technical support on product information display, store design, transaction completion processes, the use of payment tools and consumer service tools (such as the use of chat windows or complaints forms).

LETTER FROM THE BOARD

Set out below is a chart illustrating the operation model of the Target Business after the Completion.



2.8 Information about 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 the sale of pharmaceutical and healthcare products and services and the provision of Internet-based medical services, consumer healthcare services and intelligent medicine services, provision of tracking services and other innovative services.

2.9 Information about the Vendor and Alibaba Group

The Vendor is an offshore holding vehicle incorporated in the British Virgin Islands to hold the Target Company and it is directly wholly-owned by Alibaba Holding.

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Alibaba Holding is a company incorporated in the Cayman Islands, with its American depository shares, each representing eight ordinary shares, listed on the New York Stock Exchange (Stock Symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 9988). Alibaba Group's mission is to make it easy to do business anywhere. Alibaba Group aims to build the future infrastructure of commerce and envisions that its customers will meet, work and live at Alibaba, and it aspires to be a company that will last for 102 years. Alibaba Group's businesses are comprised of core commerce, cloud computing, digital media and entertainment and innovation initiatives.

2.10 Information on the Tmall Entities, Taobao Holding and Taobao China

Zhejiang Tmall Network Co., Ltd* (浙江天貓網絡有限公司) is a company incorporated under the laws of the PRC and ultimately Controlled by Alibaba Holding, which is primarily involved in the operation of Tmall.

Zhejiang Tmall Technology Co., Ltd* (浙江天貓技術有限公司) is a company incorporated under the laws of the PRC and an indirect wholly-owned Subsidiary of Alibaba Holding, which is primarily involved in the operation of Tmall.

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, which is the holding company of certain PRC Subsidiaries of Alibaba Holding relating to Taobao Marketplace and Tmall.

Taobao Holding Limited, a limited liability company incorporated in the Cayman Islands and a wholly-owned Subsidiary of Alibaba Holding. Taobao Holding is the indirect holding company of certain PRC Subsidiaries of Alibaba Holding relating to Taobao Marketplace and Tmall.

Tmall was launched by Alibaba Group in 2008 as an online platform featuring brands and retailers. Tmall caters to consumers looking for high-quality products and a premium shopping experience. It is a trusted platform for consumers to buy both homegrown and international branded products and products 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.

Tmall Global was launched by Alibaba Group in 2014 to address increasing Chinese consumer demand for international products and brands. Tmall Global serves as the premier platform through which overseas brands and retailers reach Chinese consumers, build brand awareness and gain valuable consumer insights in forming their overall China strategy, without the need for physical operations in China.

LETTER FROM THE BOARD

2.11 Reasons for and benefits of the Proposed Acquisition and the Framework Technical Services Agreement

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, so as to provide users with better medical and healthcare services, to gradually realize Alibaba Group's "Double H" strategy. As always, Alibaba Holding will continue to support the Company's development as its healthcare flagship platform and will continue to explore various cooperation models, to help the Company achieve its goals.

The Company believes that its acquisition of the Target Business will enable it to: (a) further develop into Alibaba Group's healthcare flagship platform; (b) bring in an even broader set of Merchants into the online healthcare community to enrich the ecosystem, and to organically complement and supplement the Company's four main businesses: pharmaceutical e-commerce, Internet healthcare, intelligent medicine and product tracking platform services; and (c) obtain more stable and sustainable revenue growth. The Proposed Acquisition represents an important step in the Company's ongoing development of its healthcare related e-commerce platform business. The Target Business, like many technology companies and the Company's own businesses, is an "asset-light" business. In the Board's view, the Consideration is fair and reasonable notwithstanding the low asset value of the Target Business.

The Company believes that it will be able to continue to, as it has done in the past, carry on its business and operations independently from Alibaba Group following the Proposed Acquisition. The Company continues to drive its strategy in China's healthcare market independently of Alibaba Group, and derives significant revenues from its self-operated healthcare product and service sales business (including the Company's owned and operated online and offline pharmacy stores). The Company intends to continue to grow such business, as well as its Internet-based medical services, consumer healthcare services, intelligent medicine services and tracking services which are generally also independent from Alibaba Group, going forward.

Before the Proposed Acquisition, Taobao Holding (through its Subsidiaries, including the Tmall Entities and Taobao China) incurred costs to service the Target Merchants and provide the technical services and platforms on which they sold Target Products and Services. Following Completion, Taobao Holding and its Subsidiaries will continue to incur operating costs for the provision of these technical services and provision of the platforms. Therefore, the Tmall Software Service Fees will be payable to Taobao Holding and its Subsidiaries. The Company considers the Framework Technical Services Agreement is necessary as a result of the Merchant relationships in respect of Target Products and Services being assigned to the Company from Alibaba Holding and because the technical support and services from Taobao Holding and its Subsidiaries to the Company are crucial to allow the Target Merchants to operate on these platforms.

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The Directors, including the independent non-executive Directors (after taking into account the advice of the Independent Financial Adviser), are of the view that the terms of the Share Purchase Agreement and the Framework Technical Services Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

2.12 Listing Rules implications

As one or more of the applicable percentage ratios in respect of the Share Purchase Agreement (including the alternative size test referred to in Rule 14.20) exceed 5% but are below 25%, the Share Purchase Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Perfect Advance is a Substantial Shareholder and a connected person of the Company. Alibaba Holding is the ultimate shareholder of Perfect Advance and the Vendor. Accordingly, the Vendor is a connected person of the Company and therefore the Proposed Acquisition also constitutes a connected transaction of the Company and is subject to the approval of the Independent Shareholders at the SGM.

In addition, Taobao Holding is a Subsidiary of Alibaba Holding and therefore a connected person of the Company. The transactions contemplated under the Framework Technical Services Agreement will constitute continuing connected transactions for the Company under the Listing Rules. It is expected that the highest of the applicable percentage ratios in respect of the Framework Technical Services Agreement will be more than 5%. Accordingly, the transactions contemplated under the Framework Technical Services Agreement will constitute non-exempt continuing connected transactions subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. WU Yongming, Mr. WANG Lei, and Mr. XU Hong 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 contemplated under the Proposed Acquisition and the Framework Technical Services Agreement. Accordingly, they have abstained from voting on the board resolutions in connection with the Proposed Acquisition and the continuing connected transactions under the Framework Technical Services Agreement. Other than the aforesaid Directors, no other Directors have a material interest in the Proposed Acquisition or the continuing connected transactions under the Framework Technical Services Agreement and are not required to abstain from voting on the board resolutions approving the same.

The SGM will be convened by the Company to propose ordinary resolutions seeking approval from the Independent Shareholders by way of poll for: (i) the Share Purchase Agreement and the connected transaction contemplated thereunder, (ii) the issue of the Consideration Shares under specific mandate and (iii) the Framework Technical Services Agreement and the non-exempt continuing connected transactions contemplated thereunder. To the best knowledge, belief and information of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, each

LETTER FROM THE BOARD

of Perfect Advance, the Vendor and Antfin (Hong Kong) Holding Limited held 3,103,816,661 Shares, 3,699,911,207 Shares and 60,576,000 Shares respectively, representing approximately 25.71%, 30.64% and 0.50%, of the issued share capital of the Company. This in aggregate represented a total of 6,864,303,868 Shares and approximately 56.85% of the issued share capital of the Company, as at the Latest Practicable Date. Each of Perfect Advance, the Vendor, Antfin (Hong Kong) Holding Limited and their associates, will abstain from voting in relation to the ordinary resolutions to be put forward at the SGM. Save as disclosed above, no other Shareholder is required to abstain from voting on the above ordinary resolutions.

2.13 Independent Board Committee and Independent Financial Adviser

The Company has established an Independent Board Committee comprising of all the independent non-executive Directors to advise the Independent Shareholders in connection with the approval of the Share Purchase Agreement, the Framework Technical Services Agreement and the 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 Proposed Acquisition and the Framework Technical Services Agreement are fair and reasonable and in the interests of the Company so far as the Independent 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 29 to 30 of this circular. The letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 72 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 favor of the proposed resolutions.

4. GENERAL

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

LETTER FROM THE BOARD

5. SGM AND PROXY ARRANGEMENT

The notice of the SGM is set out on pages 92 to 94 of this circular. At the SGM, resolutions will be proposed to approve the Proposed Acquisition, the Framework Technical Services Agreement and the connected transactions contemplated thereunder.

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.

A form of proxy for use at the SGM is enclosed with this circular and 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 54, Hopewell Centre, 183 Queen's Road East 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.

The record date for determining the entitlement of the Shareholders to attend and vote at the SGM will be Tuesday, March 24, 2020. All transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, March 24, 2020.

By Order of the Board

SHEN Difan

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 11, 2020

To the Independent Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
AND
(2) CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company dated March 11, 2020 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 the Proposed Acquisition, the Framework Technical Services Agreement and the connected transactions contemplated thereunder; whether the terms of the Share Purchase Agreement and the Framework Technical Services Agreement 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; (i) the Share Purchase Agreement and the connected transaction contemplated thereunder, (ii) the issue of the Consideration Shares under the specific mandate and (iii) the Framework Technical Services Agreement and the non-exempt 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 the Share Purchase Agreement and the Framework Technical Services Agreement 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.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Your attention is drawn to:

- (a) the letter from the Board set out on pages 1 to 28 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 31 to 72 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.

Having considered the advice from Independent Financial Adviser, we are of the view that:

- (a) the Proposed Acquisition (including the Share Purchase Agreement and the issue of the Consideration Shares under the specific mandate) is fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interests of the Company and its Shareholders as a whole; and
- (b) the terms of the Framework Technical Services Agreement (including the proposed annual caps) are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolutions in relation to:

- the Share Purchase Agreement and the connected transaction contemplated thereunder;
- the issue of the Consideration Shares under the specific mandate; and
- the Framework Technical Services Agreement and the non-exempt continuing connected transactions contemplated thereunder,

to be presented at the SGM.

Yours faithfully,
Independent Board Committee
**Mr. LUO Tong, Mr. WONG King On,
Samuel and Ms. HUANG Yi Fei (Vanessa)**
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 for the purpose of incorporation into this circular.



PLATINUM Securities Company Limited

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March 11, 2020

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION AND 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 relation to the Share Purchase Agreement, the Framework Technical Services Agreement and the transactions contemplated thereunder (the “**Transactions**”). Details are contained in the circular of the Company dated March 11, 2020 (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 Transactions are fair and reasonable so far as the Independent Shareholders are concerned 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 Share Purchase Agreement; (ii) the Framework Technical Services Agreement; (iii) the New Deed of Non-competition; (iv) the announcement of the Company dated February 6, 2020 (the “**Announcement**”); (iv) the unaudited interim report of the Company for the six months ended September 30, 2019 (the “**2019 Interim Report**”); and (v) the annual report of the Company for the financial year ended March 31, 2019 (the “**2018–2019 Annual Report**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have assumed that all information, facts, opinions and representations contained in the Circular are true, complete and accurate in all material respects and we have relied on the same. 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.

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. We will ensure that the information referred to in the Circular continues to be true, accurate and complete as at the date of the SGM, and that the Shareholders will be informed of any material change of information in the Circular. In line with normal practice, we have not, however, 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 Transaction.

During the past two years, Mr. Li Lan, for and on behalf of Platinum Securities Company Limited, had signed the opinion letters from the Independent Financial Adviser contained in the Company's circulars dated March 9, 2020 and March 13, 2019 in respect of the renewal of certain non-exempt continuing connected transactions, and the Company's circular dated July 16, 2018 in respect of a major and connected transaction in relation to 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 March 13, 2018 in respect of the renewal of non-exempt continuing connected transactions. The past engagements were 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 professional fee from the Company that was in line with market practice. 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 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 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 Transactions. Apart from this standard 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 Transactions or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, including Mr. LUO Tong, Mr. WONG King On, Samuel and Ms. HUANG Yifei (Vanessa), has been established to advise the Independent Shareholders as to whether the Transactions are on normal commercial terms as those are in the ordinary and usual course of business of the Group and Transactions are fair and reasonable and in the interests of the Company and the 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 considered the following principal factors:

1. Background of the Proposed Acquisition

On February 6, 2020, the Board announced that the Company had entered into the Share Purchase Agreement with Ali JK Nutritional Products Holding Limited, a direct wholly-owned Subsidiary of Alibaba Holding, pursuant to which the Company will acquire 100% of the equity interest in Ali JK ZNS Limited, an offshore holding vehicle incorporated under the laws of the British Virgin Islands by Alibaba Holding to hold the Target Business. The aggregate Consideration is HK\$8.075 billion and will be satisfied by the Company issuing 860,874,200 Consideration Shares to the Vendor at Completion.

1.1 Information on the Company and the Group

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 the sale of pharmaceutical and healthcare products and services and the provision of Internet-based medical services, consumer healthcare services, intelligent medicine services, tracking services and other innovative services.

1.2 Information on the Vendor and Alibaba Holding

The Vendor is an offshore holding vehicle incorporated in the British Virgin Islands to hold the Target Company and is directly wholly-owned by Alibaba Group Holding Limited (“**Alibaba Holding**”).

Alibaba Holding is a company incorporated in the Cayman Islands, with its American depository shares, each representing eight ordinary shares, listed on the New York Stock Exchange (Stock Symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 9988). Alibaba Holding’s mission is to make it easy to do business anywhere. Alibaba Holding aims to build the future infrastructure of commerce and envisions that its customers will meet,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

work and live at Alibaba, and it aspires to be a company that will last for 102 years. Alibaba Holding's businesses are comprised of core commerce, cloud computing, digital media and entertainment and innovation initiatives.

1.3 Information on the Target Group and Target Business

The Target Company is an offshore holding vehicle incorporated in the British Virgin Islands and an indirect wholly-owned Subsidiary of Alibaba Holding. The Target Company, through the WFOE or the HK Subsidiaries (as applicable), will hold the Target Business after the Business Restructuring.

The Target Business comprises (i) all Merchant relationships with the Target Merchants for the sales of Target Products and Services on the Tmall Platforms and (ii) the employment relationships with the relevant marketing and operations personnel managing the relationships with the Target Merchants. The Target Business generated a gross merchandise volume (the "GMV") of approximately RMB9,575 million and had approximately 35.8 million annual active buyers for the financial year ended March 31, 2019. As of January 31, 2020, the Target Business had more than 530 Target Merchants authorized by the Tmall Entities and Taobao China to sell Target Products and Services on the Tmall Platforms.

Based on the unaudited financial information of the Target Business prepared in accordance with HKFRS as of March 31, 2019, the net asset value of the Target Business was nil. Set out below is the key unaudited financial information of the Target Business for each of the financial years ended March 31, 2018 and 2019.

	For the year ended March 31,	
	2018	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	148,577	191,805
Gross profit (*)	75,863	97,927
Profit before taxation (*)	55,356	70,180
Net profit (*)	47,052	59,653

* The gross profit, profit before taxation and net profit are adjusted on the assumption that the Framework Technical Services Agreement was in effect from April 1, 2017. The adjustments include (i) 40% of the Company Software Service Fees received from the Merchants that would have been paid to Taobao Holding and its Affiliates in respect of Pharmaceutical Products and 50% of the Company Software Service Fees received from the Merchants that would have been paid to Taobao Holding and its Affiliates in respect of the Other Target Products and Services; (ii) expenses originally accounted for by the Target Business, namely marketing and customer acquisition expenses, traffic acquisition costs, co-location and bandwidth costs, other costs of service, depreciation recharges and reallocation expenses were excluded; and (iii) sales taxes and surcharges and income tax expense were recalculated based on adjusted financial information with applicable tax rate.

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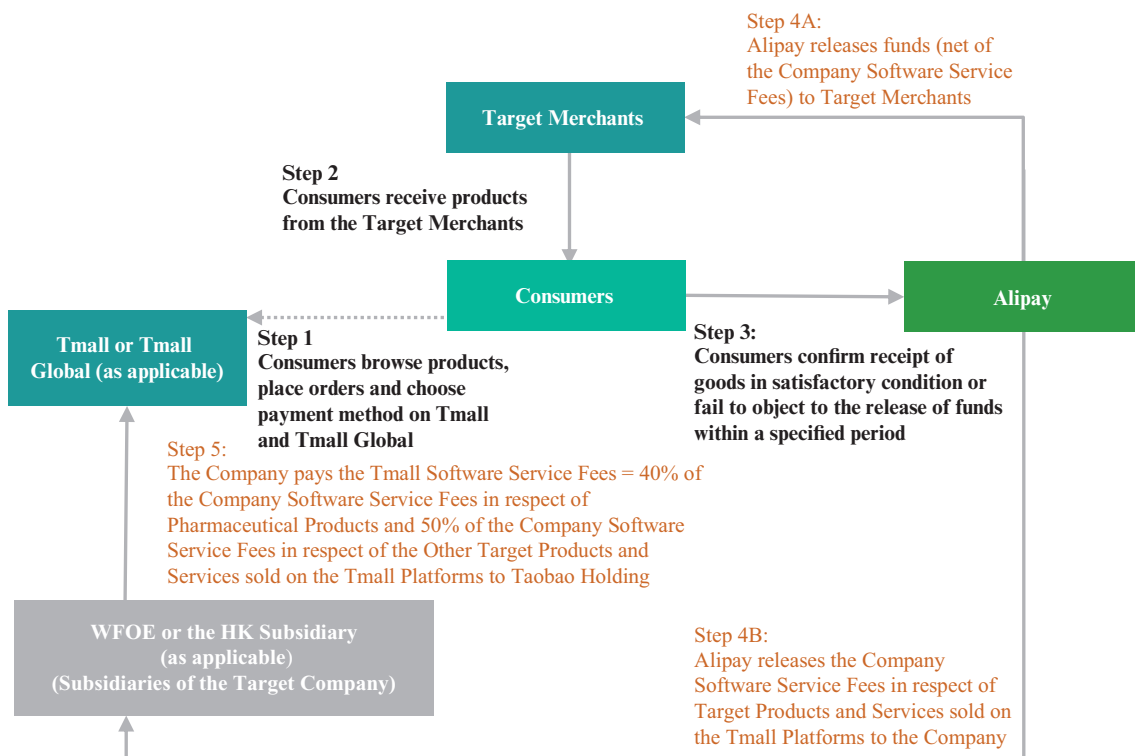
By acquiring the Target Business, the Company intends to provide value-added services to the Target Merchants after Completion to deliver more healthcare-focused solutions to the Target Merchants and improve their user experience as it has been the intention to develop the Company into the healthcare flagship of Alibaba Holding. Those value-added services will include:

- tracking market trends and policy updates and updating Merchants on material policy updates. For example, the WFOE or the HK Subsidiary (as applicable) 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;
- Merchant customer services, including providing helpline support for Merchants on the process of admission to the Tmall Platforms 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 keywords 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 to emphasize brand recognition;
- 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;

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- in respect of Pharmaceutical Products, prescription processing and safety and risk management systems and services, including prescription processing software services (as applicable) and rational use of drugs system services etc.; and
- technical support, including providing technical support on product information display, store design, transaction completion processes, the use of payment tools and consumer service tools (such as the use of chat windows or complaints forms).

Set out below is a chart illustrating the operation model of the Target Business after Completion:



1.4 Information on the Tmall Entities, Taobao Holding and Taobao China

Zhejiang Tmall Network Co., Ltd* (浙江天貓網絡有限公司) is a company incorporated under the laws of the PRC and ultimately Controlled by Alibaba Holding, which is primarily involved in the operation of Tmall.

Zhejiang Tmall Technology Co., Ltd* (浙江天貓技術有限公司) is a company incorporated under the laws of the PRC and an indirect wholly-owned Subsidiary of Alibaba Holding, which is primarily involved in the operation of Tmall.

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, which is the holding company of certain PRC Subsidiaries of Alibaba Holding relating to Taobao Marketplace and Tmall.

Taobao Holding Limited, a limited liability company incorporated in the Cayman Islands and a wholly-owned Subsidiary of Alibaba Holding. Taobao Holding is the indirect holding company of certain PRC Subsidiaries of Alibaba Holding relating to Taobao Marketplace and Tmall.

Tmall was launched by Alibaba Holding in 2008 as an online platform featuring brands and retailers. Tmall caters to 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 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.

Tmall Global was launched by Alibaba Holding in 2014 to address increasing Chinese consumer demand for international products and brands. Tmall Global serves as the premier platform through which overseas brands and retailers reach Chinese consumers, build brand awareness and gain valuable consumer insights in forming their overall China strategy, without the need for physical operations in China.

2. Overview of China's e-commerce market, pharmaceutical and healthcare products and services markets

With the continued penetration of the Internet, there has been a greater adoption of e-commerce platforms. China has the largest Internet community in the world, which lays a solid user base for the development of e-commerce platforms focusing on pharmaceutical and healthcare products and services.

According to the National Bureau of Statistics, the number of Internet users and mobile Internet users in China reached approximately 854 million and 847 million respectively as of June 30, 2019¹, representing an increase of 25 million and 30 million, compared to 829 million internet users and 817 million mobile internet users as at December 31, 2018, respectively. This shows that the Internet user base is large and growing in China. According to the World Bank, the penetration rates of Internet users in China and US are 54% and 87% respectively in 2017², illustrating that there is still room for growth in the Internet user penetration rate in China. According to the

¹ Source: http://www.cac.gov.cn/2019-08/30/c_1124939590.htm

² Source: <https://data.worldbank.org/indicator/IT.NET.USER.ZS>

CNNIC, the proportion of online retail consumers among total Internet users increased from 73.6% as at 31 December 2018 to 74.8% as at 30 June 2019³ whilst the proportion of mobile retail consumers among online retail consumers increased from 72.5% as at 31 December 2018 to 73.4% as at 30 June 2019⁴. Not only has the number of online and mobile retail consumers increased, but the value of total online retail sales has also maintained a rapid growth trend. In 2019, China's online retail sales had already reached RMB10,632.4 billion, up 16.5% year-on-year⁵, which contributed 40.6% of the total retail offline and online sales in China⁶. Therefore, we expect that the number of internet and mobile users, online and mobile retail consumers and online and mobile retail sales values in the coming year will continue to increase, which in turn indicates that there is still high potential for the China e-commerce market to grow.

According to Health Statistics 2019 published by the Organization for Economic Co-operation and Development (the "OECD")⁷, China's healthcare expenditure as a percentage of GDP in 2018 was 5.0%, as compared to 10.9%, 9.3% and 8.1% for Japan, Australia and Korea, respectively. Such low ratio in China as compared to other countries is mainly attributed to the weaknesses of the PRC healthcare services markets including (i) scarcity and uneven distribution of quality medical resources in China; and (ii) poor medical service experience for patients. As such, we anticipate the following trends in the PRC healthcare services industry: (i) more private healthcare services; and (ii) further development of internet healthcare, driven by: (i) the potential room of growth in the overall healthcare expenditure; (ii) more liberal regulations on online healthcare; and (iii) a growing Internet user base in China. Also, in accordance with data released by the National Bureau of Statistics, we observed an upward trend for total health expenditure from RMB3,166.9 billion in 2013 to RMB5,912.2 billion in 2018⁸. Meanwhile, according to the Report of Market Prospective and Business Model Innovation on the China Internet Medical Industry (2018–2023)⁹, the market size for the PRC internet medical industry reached RMB49.1 billion in 2018 and is expected to maintain a compound annual growth rate of 33.6% until 2026 to reach a total market size of approximately RMB200 billion, while pharmaceutical B2C GMV reached RMB20.3 billion in 2016 and is expected to maintain a compound annual growth rate of 41.9% until 2026 to reach a GMV of RMB672.3 billion by 2026.

Moreover, on April 25, 2018, the General Office of the State Council released its opinion letter on the promotion of Internet Plus healthcare development to improve healthcare modernization management, optimize resource distribution, innovate service mode, improve service efficiency, reduce service cost and meet the increasing

³ Source: <http://www.cnnic.net.cn/hlwfzyj/hlwxyzbg/hlwtjbg/201908/P020190830356787490958.pdf>

⁴ Source: <http://www.cnnic.net.cn/hlwfzyj/hlwxyzbg/hlwtjbg/201908/P020190830356787490958.pdf>

⁵ Source: http://www.stats.gov.cn/tjsj/zxfb/202001/t20200117_1723391.html

⁶ Source: http://www.stats.gov.cn/enGliSH/PressRelease/201909/t20190917_1698002.html

⁷ Source: <https://www.oecd-ilibrary.org/docserver/4dd50c09-en.pdf?expires=1580704338&id=id&accname=guest&checksum=CEF42431CE60645291CAE9208884BE36>

⁸ Source: <http://data.stats.gov.cn/english/easyquery.htm?cn=C01>

⁹ Source: <https://bg.qianzhan.com/report/detail/300/180516-66b8dbd4.html>

demand for healthcare products and services. On August 26, 2019, the Standing Committee of the National Congress published the Drug Administration Law of the PRC (as amended in 2019) which was implemented on December 1, 2019 and removed certain restrictions on the online sale of prescription drugs.

In light of the above, we consider that the Target Group and Target Business will benefit from the development of the pharmaceutical and healthcare products and services markets due to (i) the development of e-commerce platforms and an increasing number of online consumers; (ii) the expanding pharmaceutical and healthcare products and services markets; and (iii) the increased support from the Chinese government to develop the healthcare market in China.

3. Reasons for and benefits of the Proposed Acquisition and Framework Technical Services Agreement

According to the Company, its mission is to build an online community where it will connect participants in China's healthcare market, so as to provide users with better medical and healthcare services, to realize Alibaba Holding's "Double H" strategic direction. As always, Alibaba Holding will continue to support the Company's development as its healthcare flagship platform and will continue to explore various cooperation models, to help the Company achieve its goals.

The Company believes that its acquisition of the Target Business will enable it to: (a) further develop into Alibaba Holding's healthcare flagship platform; (b) bring in an even broader set of merchants into the online healthcare community to enrich the ecosystem, and to organically complement and supplement the Company's four main businesses: pharmaceutical e-commerce business, consumer healthcare business, intelligent medicine services and product tracking platform services; and (c) obtain more stable and sustainable revenue growth. Completing the Proposed Acquisition will give the Company exposure to approximately 35.8 million annual active buyers and at least 450 Target Merchants authorized by the Tmall Entities and Taobao China to sell Target Products and Services on the Tmall Platforms. Therefore, we are of the view that the Proposed Acquisition is in line with the business strategy of the Group.

As explained above in Section 2 "Overview of China's e-commerce market, pharmaceutical and healthcare products and services markets", China's e-commerce market is expected to maintain a high growth with great potential due to the (i) increasing number of online and mobile retail consumers; and (ii) the increasing shift towards online spending.

In addition, as explained above, China's online pharmaceutical and healthcare products and services market is a fast-developing market with huge potential due to (i) the development of e-commerce and an increasing number of online retail users; (ii) expansion of the pharmaceutical and healthcare products and services markets; and (iii) support from the Chinese government to reform China's healthcare market. We understand that the Company also offers a variety of internet solutions to healthcare industry participants. Therefore, we anticipate that the acquisition of the Target Business will enable the Company to acquire more merchant relationships, following

which the Company can introduce the Target Merchants to the Company's other businesses while at the same time deepening its industry experience and expertise. As mentioned above, the Target Business generated a revenue of approximately RMB191.8 million for the year ended March 31, 2019. Accordingly, the Proposed Acquisition will allow the Company to benefit from an increase in revenue from such business.

In terms of the financial impact on the earnings of the Proposed Acquisition, we note that the Target Company was profitable in the financial years ended March 31 2018 and March 31, 2019, respectively. Upon Completion, the Target Group will become wholly-owned Subsidiaries of the Company and its consolidated net profit will be consolidated into the Group. Given that the Target Business has been profitable over the past years, we expect the Target Business will remain profitable and enhance the earnings of the Group after Completion and such positive effect would be one of the most direct gains of the Proposed Acquisition.

Based on the above considerations, we are of the view that the Proposed Acquisition represents a valuable opportunity to leverage on the Target Company's relationships with the Target Merchants selling the Target Products and Services on the Tmall Platforms to expand the Company's business and that it will have a potential synergistic effect across the Company's businesses and increase the Company's competitive advantages. We concur with the management of the Company that the Proposed Acquisition will aid the Company in its role as the healthcare flagship of Alibaba Holding. In conclusion, we are of the view that the Proposed Acquisition is in the ordinary and usual course of business and is in line with the business strategy of the Group.

4. Principal terms of the Share Purchase Agreement

Date: February 6, 2020

Parties: (a) The Company as the purchaser; and
(b) Ali JK Nutritional Products Holding Limited as the Vendor.

The Proposed Acquisition

Pursuant to the Share Purchase Agreement, the Company has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell the entire issued share capital in the Target Company.

The Target Company is an offshore holding vehicle which is an indirect wholly-owned Subsidiary of Alibaba Holding. The Target Company, through the WFOE or the HK Subsidiary (as the case may be), will hold (i) the ownership of all Merchant relationships with the Target Merchants for the sales of Target Products and Services on the Tmall Platforms and (ii) the employment relationships with the relevant marketing and operations personnel managing the relationships with the Target Merchants.

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The “Target Products and Services” are defined as the Tmall Products and Services and the Tmall Global Products and Services.

The “Tmall Products and Services” are comprised of the following products and/or services.

- the Pharmaceutical Products sold on Tmall (including through Tmall Supermarket);
- the Medical Purpose Food Products sold on Tmall (including through Tmall Supermarket); and
- the Medical Devices, the Adult Products, the Healthcare Products, the Medical and Healthcare Services and the Target Blue Cap Health Food sold through Tmall Supermarket only.

The “Tmall Global Products and Services” are comprised of the following products and/or services sold on Tmall Global:

- the Pharmaceutical Products;
- the Medical Devices;
- the Healthcare Products;
- the Medical Purpose Food Products; and
- the Medical and Healthcare Services.

Upon Completion, the Target Company will become a direct wholly-owned Subsidiary of the Company, and the financial results of the Target Group will be consolidated into the Group’s accounts.

The Consideration

The Consideration for the Share Purchase Agreement is HK\$8.075 billion which was determined after arm’s length negotiations between the Company and the Vendor. The Consideration will be satisfied by the Company issuing 860,874,200 Consideration Shares to the Vendor. The Issue Price will be HK\$9.38 per Consideration Share, subject to proportional adjustments in the event of a share split, share combination, share dividend or similar events with respect to the capital of the Company prior to Completion.

For a period of 18 months from Completion, the Vendor has agreed that it will not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or other third party rights in respect of the Consideration Shares issued to it without the Company’s prior written consent. However, the Company’s prior written consent will not be required where the person to whom any of the Consideration Shares issued to the Vendor are

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transferred also undertakes to (a) bear a pro rata portion of any liabilities of the Vendor for breach of its warranties under the Share Purchase Agreement and (b) be subject to this restriction in respect of any subsequent transfer by such transferee.

The Consideration Shares represents approximately 7.13% of the issued share capital of the Company as at the date of the Announcement and approximately 6.66% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. Based on the current shareholding structure of the Company, the Company will continue to be able to satisfy the public float requirement under the Listing Rules following issue of the Consideration Shares.

There is no original acquisition cost of the Target Business as Alibaba Holding established and grew the Target Business, and did not acquire it from a third party. The Consideration was arrived at after arm's length negotiations between the Company and the Vendor, taking into account various factors, including:

- (a) the GMV, financial performance and market position of the Target Business which has been steadily growing, including the Target Business's strengths as one of leading e-commerce sales platforms for most of the Target Products and Services;
- (b) the growth potential of the Target Business, particularly in light of increasing healthcare expenditure in the PRC, the relatively low penetration rate of online B2C pharmaceutical sales in the PRC and a trend towards more consumers buying healthcare products and services online;
- (c) the strategic value of the Target Business to the Group's healthcare ecosystem and potential cross-selling opportunities with the Target Merchants (such as market solutions across other platforms and online), as well as the operational expertise of the Target Business as one of the first e-commerce businesses covering the Target Products and Services and servicing the Target Merchants; and

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- (d) the value to the Company of the New Deed of Non-competition, which will result in the Company having an exclusive relationship with the Target Merchants in respect of sales transactions of the DNC Restricted Products and the DNC Restricted Services (subject to the scope and certain exceptions detailed below) allowing it to build closer relationships with the DNC Target Merchants and to benefit exclusively from the large volume of traffic generated on the Tmall Platforms in relation to the DNC Restricted Products and DNC Restricted Services.

Completion and conditions precedent

Completion will take place on the Business Day immediately following the satisfaction or waiver of certain conditions precedent including:

- (a) the passing by the Independent Shareholders at a duly convened Shareholders' meeting of the Company of resolutions approving the Proposed Acquisition, including but not limited to, the issue of the Consideration Shares pursuant to the Share Purchase Agreement and the non-exempt continuing connected transactions by the members of the Group as contemplated under the Framework Technical Services Agreement;
- (b) the granting of the approval of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares;
- (c) the completion of the business restructuring as set out in a detailed plan agreed among the parties (the "**Business Restructuring**") including the assignment to the WFOE or the HK Subsidiary (as the case may be) of the relationships with at least 450 Existing Target Merchants;
- (d) the Vendor and/or its related companies having obtained all necessary consents and approvals from the relevant governmental or regulatory authorities or other third parties required for the transactions contemplated by the Business Restructuring and the execution and performance by the Vendor of the Share Purchase Agreement and the Proposed Acquisition;
- (e) the Company having obtained all necessary consents and approvals from the relevant governmental or regulatory authorities or other third parties required for the execution and performance by the Company of the Share Purchase Agreement and the Proposed Acquisition; and
- (f) no governmental authority in any relevant jurisdiction having enacted any laws, rules or regulations which might render Completion or the Business Restructuring or any part thereof unlawful.

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The Company is entitled in its absolute discretion, by written notice to the Vendor, to waive the conditions precedent set out in paragraphs (c) and (d) above, either in whole or in part. The right of the Company to waive such conditions precedent provides the Company with the flexibility to allow the Proposed Acquisition to proceed if the Business Restructuring is implemented with minor deviations from the agreed plan.

The Vendor is entitled in its absolute discretion, by written notice to the Company, to waive the condition precedent set out in paragraph (e) above, either in whole or in part.

If any of the conditions precedent set out above has not been fulfilled (or waived) on or before June 30, 2020, or such later date as may be agreed in writing between the Company and the Vendor, the Share Purchase Agreement shall automatically terminate with immediate effect pursuant to its terms. For the avoidance of doubt, Completion will not be earlier than March 31, 2020.

Business Restructuring

For each Existing Target Merchant, the Vendor has agreed to use all reasonable endeavors to procure the relevant parties to, as soon as reasonably practicable, to the extent applicable, enter into a Tripartite Agreement among (i) such Existing Target Merchant, (ii) the WFOE or the HK Subsidiary (as applicable) and (iii) the Tmall Entities or Taobao China (as applicable) (the “**Merchant Assignment**”).

Transition Period

If the Merchant Assignment of any Existing Target Merchant has not been completed as of Completion (such Target Merchant, the “**Non-assigned Target Merchant**”), the Vendor shall continue to use reasonable endeavors to complete such Merchant Assignment as soon as reasonably practicable. For each of the Non-assigned Target Merchants, the Vendor shall, promptly after the Transition Period, pay or cause to be paid to the Company such portion of the software service fees actually received by the Tmall Entities and Taobao China (after all discounts, rebates and other incentives) from such Non-assigned Target Merchant in respect of the sale of Target Products and Services by such Non-assigned Target Merchant on the Tmall Platforms during the Transition Period as would have been received by the Company less the relevant Tmall Software Service Fee had the Merchant Assignment of such Non-assigned Target Merchant been completed at or before Completion.

The Transition Period commences on the date of Completion and ends on the earliest of (i) completion of the Merchant Assignment of the Non-assigned Target Merchant, and (ii) the termination or expiration of the Existing Target Merchant Contract.

THE PROPOSED NEW DEED OF NON-COMPETITION

We refer to (a) the Company’s announcement dated May 19, 2017 and circular dated June 12, 2017 in relation to the Initial Deed entered into between the Company and Alibaba Holding on June 30, 2017, and (b) the Company’s announcement dated May 29, 2018 and circular dated July 16, 2018 in relation to the Second Deed entered into between the Company and Alibaba Holding on August 2, 2018 (together, the “**Prior Deeds**”). The Prior Deeds were entered into to ensure that there would be no competition between the business of the Group and the business of Alibaba Holding (excluding the Group) with respect to the sales of certain restricted products and services.

The existing non-competition arrangements between the Company and Alibaba Holding are documented separately in the Prior Deeds which were entered into in 2017 and 2018. The business of the Group with respect to restricted products and services has evolved over time. Therefore, to update and streamline the non-competition arrangements between the Company and Alibaba Holding, the parties have agreed on the form of the New Deed of Non-competition which is to be entered into between the Company and Alibaba Holding on or before Completion. The New Deed of Non-competition restates and amends the scope of the restricted products and services and supersedes the Prior Deeds to clarify the delineation of business between the Group and Alibaba Holding with respect to the sale of the DNC Restricted Products and DNC Restricted Services.

The restricted products and services under the New Deed of Non-competition are comprised of the DNC Restricted Products and the DNC Restricted Services.

The “**DNC Restricted Products**” are comprised of the following products:

- (a) the Adult Products;
- (b) the Healthcare Products;
- (c) the Medical Devices;
- (d) the Pharmaceutical Products;
- (e) the Medical Purpose Food Products; and
- (f) the Target Blue Cap Health Food.

The “**DNC Restricted Services**” are comprised of the Medical and Healthcare Services.

The New Deed of Non-competition provides that, other than the Excluded Scope and the Permitted Scope, Alibaba Holding will not, and will procure that its Affiliates (excluding the Group) will not, directly or indirectly, alone or jointly with another person, in any form, engage in the Restricted Business during the Non-competition Period.

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“**Restricted Business**” means facilitating sales transaction of:

- (a) DNC Restricted Products using a business-to-consumer (B2C) transaction model in the PRC; and
- (b) DNC Restricted Services on Tmall (including through Tmall Supermarket) and Tmall Global.

“**Excluded Scope**” means:

- (a) the facilitation of sales transactions of Adult Products on Tmall Global; and
- (b) the facilitation of sales transactions of DNC Restricted Products or DNC Restricted Services:
 - (i) on Kaola;
 - (ii) on Taobao Marketplace by Taobao Marketplace merchants;
 - (iii) by Intime Retail (Group) Company Limited and its Affiliates on any platform other than the Tmall Platforms;
 - (iv) on any other platform acquired by Alibaba Holding following the date of the New Deed of Non-Competition; and
 - (v) using takeaway delivery model (外賣模式) on Ele.me, Koubei and other platforms Controlled or to be Controlled by Alibaba Holding;

The Non-competition Period commences on Completion and ends on the earliest of:

- (a) the Shares ceasing to be listed on the Stock Exchange;
- (b) Alibaba Holding ceasing to beneficially own an aggregate of 30% or more of the voting securities of the Company;
- (c) the Company ceasing to be a subsidiary (as defined in the Listing Rules) of Alibaba Holding; or
- (d) Alibaba Holding no longer being the single largest Shareholder of the Company (aggregated with the Shares beneficially owned by persons acting in concert with Alibaba Holding).

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The “**Permitted Scope**” includes:

- (a) the conduct of Restricted Business pursuant to any then-effective Existing Target Merchant Contracts until the earlier of: (x) the expiration of such Existing Target Merchant Contract in accordance with its terms and; (y) the entering into a Tripartite Agreement in respect of such Existing Target Merchant Contract among (i) the DNC Target Merchant, (ii) the WFOE or the HK Subsidiary (as the case may be) and (iii) the Tmall Entities or Taobao China (as the case may be);
- (b) the conduct of activities pursuant to the terms of the Tripartite Agreement to be entered into among (i) the DNC Target Merchant, (ii) the WFOE or the HK Subsidiary (as the case may be) and (iii) the Tmall Entities or Taobao China (as the case may be);
- (c) the conduct of business activities pursuant to the terms of any framework technical services agreement entered into between Alibaba Holding (or its Affiliates) and the Company (or its Affiliates) relating to the DNC Restricted Products and DNC Restricted Services, including the collection of the service fees thereunder; and
- (d) the conduct of any business with the Company’s prior written consent.

Under the New Deed of Non-competition, Alibaba Holding undertakes, during the Non-competition Period, to cause its applicable Affiliates to (i) require that the DNC Target Merchants list the DNC Restricted Products and DNC Restricted Services for sale on the Tmall Platforms (as the case may be and save for Adult Products on Tmall Global) in accordance with any framework technical services agreement entered into between Alibaba Holding (or its Affiliates) and the Company (or its Affiliates) that is relating to the DNC Restricted Products and DNC Restricted Services, and (ii) use reasonable efforts to identify and remove from listing on the Tmall Platforms (as the case may be and save as permitted within the Excluded Scope and the Permitted Scope) any DNC Restricted Product or DNC Restricted Service that is listed contrary to the requirement in (i) above. Alibaba Holding also undertakes, during the Non-competition Period, to ensure that any new business opportunities that it or its Affiliates (excluding the Group) identify, or are offered, which fall within the scope of the Restricted Business, are offered to the Company. Such new business opportunities will not be taken up by Alibaba Holding or its Affiliates (excluding the Group).

In determining the DNC Restricted Products and DNC Restricted Services, the Company made reference to the existing restricted products and services under the Prior Deeds and the Target Products and Services under the Proposed Acquisition to ensure there was a clear delineation between the business of the Company and Alibaba Holding. The Excluded Scope has also been redefined on the basis of the current scope of business of Alibaba Holding which has evolved since the Prior Deeds.

We have reviewed the New Deed of Non-competition and discussed the same with the management of the Company. We have considered: (i) under the New Deed of Non-competition, Alibaba Holding will continue to provide non-competition undertakings to the Group; (ii) the New Deed of Non-competition restates and amends the scope of the restricted products and services and supersedes the Prior Deeds and will further clarify delineation of business between the Group and Alibaba Holding with respect to the sale of the DNC Restricted Products and DNC Restricted Services; and (iii) any new business opportunities that fall within the scope of the Restricted Business will first be offered to the Company and not taken up by Alibaba Holding. As such, we are of the view that the entering into the New Deed of Non-competition by the Company is fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole.

5. The Consideration

5.1 Comparable Companies analysis

In order to assess the fairness and reasonableness of the Consideration, we have attempted to identify comparable healthcare e-commerce companies. However, after our research, we notice that there are very few listed healthcare companies principally engaged in e-commerce business through an online platform and that their major revenue stream relied heavily on their offline retail sales. Although the Target Company does not operate its own e-commerce website, it is still considered as an e-commerce company because (i) the Target Company carries out its business by enabling the sale of a wide range of products exclusively online; and (ii) the revenue of the Target Company is commission-based and is mainly determined by the value of sales generated by the Target Merchants. We consider the above factors as being the most essential and fundamental factors in determining whether the Target Company is an e-commerce company.

Based on our research and knowledge of the e-commerce industry, we believe that mobile applications and websites are effective platforms for e-commerce companies to complete sales transactions virtually. The key driver of the success of e-commerce companies is the relationship with merchants and/or consumers in order to generate GMV and revenue for the companies. Whether or not an e-commerce company chooses to rely on an independently self-operated website may depend on the cost structure. The Target Company utilizes the Tmall Platforms for merchants and consumers to complete sales transactions and therefore effectively outsources the technical services related to the operation of such platforms to Alibaba Holding and in return pays Alibaba Holding a service fee.

In light of the above, we consider the Target Company as an e-commerce company and we have expanded our criteria to identify comparable e-commerce companies (the “**Comparable Companies**”) that (i) are primarily engaged in e-commerce business in the PRC with a market capitalization over RMB10

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billion; (ii) have a similar business model to the Target Company whereby consumers need to select the product and enter into a transaction with merchants using an online platform; (iii) at least 50% of the revenue or total transaction value are generated from its B2C e-commerce online platform in the PRC; and (iv) are currently listed on the Stock Exchange, NASDAQ or New York Stock Exchange, being the three major stock exchanges where major PRC e-commerce companies are listed on. The size of the Target Company may vary significantly from some of the Comparable Companies. However, considering the relevancy of the selected Comparable Companies to the Target Company, we found that the Comparable Companies are well-known e-commerce platforms with a sustainable number of active users and merchants and have similar business model in nature. In addition, the Comparable Companies are selected on the basis that at least 50% of their revenue or total transaction value are generated from their B2C e-commerce online platform in the PRC meaning that the majority of their revenue is derived from similar business model as the Target Company, and thus can be considered comparable to the Target Company. Therefore, together with the reasons stated above, we are of the view that the selected Comparable Companies are relevant and comparable to the Target Company. The 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.

In our assessment, we have considered enterprise value-to-gross merchandise volume ratio (the “EV/GMV”) and price-to-earnings ratio (the “P/E”), which are the most commonly used to assess the financial valuation of a company engaged in e-commerce business. The EV/GMV and P/E analysis of the Comparable Companies are shown in Table 1 below.

Table 1: Comparable Companies analysis

Company Name	Ticker	Market Cap <i>(in RMB billions)</i> <i>(Note 1)</i>	EV/GMV <i>(times)</i> <i>(Note 2)</i>	P/E <i>(times)</i> <i>(Note 3)</i>
Alibaba Holding	9988.HK	4,156	0.67	47.80
JD.com, Inc.	NASDAQ: JD	408	0.76	n/a
Pinduoduo Inc.	NASDAQ: PDD	293	0.97	n/a
Vipshop Holdings Limited	NYSE: VIPS	65	0.46	24.08
		Maximum	0.97	47.80
		Minimum	0.46	24.08
		Average	0.72	35.94
		Median	0.72	35.94
Target Company		7.20 <i>(Note 4)</i>	0.75 <i>(Note 5)</i>	120.70 <i>(Note 5)</i>

Source: Bloomberg, the relevant stock exchange websites, the annual reports, the company presentations and company websites of the Comparable Companies

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- Note 1:* The market capitalization of those Comparable Companies that are listed in the US are converted into RMB at the rate of USD1.00:RMB6.9249 approximately as at the Last Trading Day as published by The People's Bank of China.
- Note 2:* EV/GMV of the Comparable Companies are calculated by using the enterprise value of the respective companies as at the Last Trading Day as extracted from Bloomberg divided by the latest full year GMV of the respective companies as obtained from their annual reports or company websites. N/A indicates that the latest full year GMV of the respective companies are not available.
- Note 3:* P/E of the Comparable Companies are calculated by using the market capitalization of the respective companies as at the Last Trading Day divided by the earnings of the respective companies as obtained from their latest published annual reports and Bloomberg. N/A indicates that the respective companies' latest full year earnings have recorded a loss.
- Note 4:* The Target Company's market capitalization is implied by the enterprise value. Enterprise value of the Target Company equates to the Consideration as the Target Company's net debt balance is nil. The Consideration is converted into RMB at the rate of HK\$1.00:RMB0.89163 approximately as at the Last Trading Day as published by The People's Bank of China.
- Note 5:* The Target Company's implied multiples are calculated by using the Consideration divided by the Target Company's latest full year GMV and earnings for the financial year ended March 31, 2019.

As illustrated above, the EV/GMV of the Comparable Companies range from approximately 0.46 times to approximately 0.97 times (the "**EV/GMV Range**"), with an average of approximately 0.72 times (the "**EV/GMV Average**") and a median of approximately 0.72 times (the "**EV/GMV Median**").

The P/E of the Comparable Companies range from approximately 24.08 times to approximately 47.80 times (the "**P/E Range**"), with an average of approximately 35.94 times (the "**P/E Average**") and a median of approximately 35.94 times (the "**P/E Median**").

In terms of P/E, we note that the implied P/E of Target Company is higher than the P/E Range. In our analysis, we found that the P/E of the Comparable Companies varies widely and two of the Comparable Companies actually recorded a loss in the last financial year. We understand the reason for such performance is due to the facts that (i) certain e-commerce companies have continued investing in areas outside of their e-commerce business as they expand their products and services to their business partners and consumers such as JD.com, Inc.; and (ii) certain e-commerce companies are still in a relatively early stage of development and continue to invest in building user stickiness and long term sustainability while their business model continues to evolve rapidly, such as Pinduoduo Inc.

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Based on our discussion with the management of the Company, we understand from the Company's management perspective, that a key factor for determination of the Consideration is the GMV of the Target Business.

From the GMV perspective, we have carried out our independent analysis on the EV/GMV of the Comparable Companies which we consider to be the most suitable indicator in determining whether the Consideration of the Proposed Acquisition is fair and reasonable. The reason for that is because GMV is one of the most important performance indicators for e-commerce companies. While sales reflects the fact that the revenue received for the year may be recorded differently depending on each company's specific business models which may include income not directly related to its e-commerce business, GMV reflects the total volume in absolute dollar term of e-commerce sales on a given platform over the year. As for the Target Company, it does not have much income from sources other than receiving sales commissions from the Target Merchants unlike the Comparable Companies which usually have diversified sources of income. For example, customer management income contributes a large portion of Alibaba Holding's yearly revenue. We understand that the Target Business generated a GMV of approximately RMB9,575 million and had approximately 35.8 million annual active buyers for the financial year ended March 31, 2019. Therefore, we believe that EV/GMV is the most suitable indicator to value the Target Company in this case. We note that the implied EV/GMV is slightly higher than the EV/GMV Average and the EV/GMV Median but nevertheless is within the EV/GMV Range. As such, we consider that the Consideration is fair and reasonable.

Based on our discussion with the management of the Company, we also understand that in the course of their arm's length negotiations with Alibaba Holding, they have also considered other factors in relation to the Consideration including the growth potential of the Target Business.

From the growth potential perspective, we note that the Group's pharmaceutical e-commerce platform business started with the Group's acquisition of the health food category e-commerce platform business from Alibaba Holding in June 2017. As a result of such acquisition, the total revenue of the Group's pharmaceutical e-commerce platform business reached RMB171,079,000 for the financial year ended March 31, 2018. The Group further completed its acquisition of the e-commerce platform business relating to the medical devices and healthcare products, sexual health and family planning products, contact lenses, and medical and healthcare service categories from Alibaba Holding in August 2018. We note that for the financial year ended March 31, 2019, the total revenue of the Group's pharmaceutical e-commerce platform business amounted to RMB689,980,000, representing a year-on-year increase of almost 300%. Furthermore, we consider that the full implementation of the Drug Administration Law of the PRC (as amended in 2019) since December 1, 2019, which provides further support for the Group's online sale of drugs, will boost

further growth of the Group's pharmaceutical e-commerce platform business. As such, we are of the view that the growth potential of the Target Business, after the completion of Proposed Acquisition, can be realized.

In light of the above, we are of the view that the Consideration is fair and reasonable and that the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

6. The Issue Price

The Issue Price represents:

- (a) a discount of approximately 19.3% to the closing price of the Shares of HK\$11.62 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 6.0% to the average VWAP for the thirty consecutive trading days up to and including the Last Trading Day of approximately HK\$9.98 per Share;
- (c) a discount of approximately 2.1% to the average VWAP for the forty-five consecutive trading days up to and including the Last Trading Day of approximately HK\$9.58 per Share;
- (d) a premium of approximately 1.4% to the average VWAP for the sixty consecutive trading days up to and including the Last Trading Day of approximately HK\$9.25 per Share;
- (e) a premium of approximately 8.8% to the average VWAP for the ninety consecutive trading days up to and including the Last Trading Day of approximately HK\$8.62 per Share; and
- (f) a discount of approximately 36.9% to the closing price on the Latest Practicable Date of approximately HK\$14.86 per Share.

The Issue Price was arrived at after arm's length negotiations between the Company and the Vendor, taking into account various factors, including:

- (a) the share price performance of the Company in the ninety trading days prior to the Last Trading Day; and
- (b) application of an appropriate discount for a substantial placing such as the one contemplated under the Share Purchase Agreement,

as well as the strategic factors described above.

6.1 Review of historical price movement of the Shares

The following exhibit shows the historical price movement of the Shares from February 6, 2019 (being approximately 1 year prior to the date of the Share Purchase Agreement) up to the date of the Share Purchase Agreement (the “Review Period”).

Exhibit 1: Historical price movement of the Shares



We note that the closing price of the Shares was in an upward trend from HK\$7.21 on February 06, 2019 to HK\$11.62 on February 6, 2020 during the Review Period. The issue price of Consideration Shares as at HK\$9.38 is within the range of the lowest and highest closing prices of the Shares as quoted on the Hong Kong Stock Exchange during the Review Period, and represented a premium of approximately 50.1% over the lowest closing price of HK\$6.25 recorded on August 14, 2019, and a discount of approximately 25.6% to the highest closing price of HK\$11.78 recorded on January 29, 2020.

6.2 Comparable transactions analysis

In order to assess the fairness and reasonableness of the Issue Price, we have reviewed recent transactions, including connected transactions, announced by companies listed on the Stock Exchange which involved the issuance of consideration shares (the “**Issuance Comparables**”) for a period of six months immediately before the Announcement. We consider these selection criteria as reasonable since the Proposed Acquisition involves the issuance of Consideration Shares as Consideration.

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As the Issuance Comparables involve the issuance of the consideration shares as part of the consideration, we believe these Issuance Comparables would provide a benchmarking comparison for our analysis as factors taken into account in determining the issue price of the consideration shares issued under such transactions provide an indication of the premium over/discount to the market price of the relevant shares. We have searched for Issuance Comparables within a six month period immediately before the Announcement, and we consider that the transactions occurred during such period were under similar market conditions and are therefore suitable to provide relevant samples of the Issuance Comparables for the purpose of our analysis and are comparable to the proposed issuance of Consideration Shares as consideration for the Proposed Acquisition.

The Issuance Comparables 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.

We note that the companies involved in the Issuance Comparables are not engaged in the same principal business of the Company and are of different market capitalizations, the targets involved are of different nature and size, and the terms of issuance of the consideration shares of each of the transactions may be subject to their respective circumstances such as different financial standing or business performance. However, since the Issuance Comparables were transacted at a time close to the date of the Share Purchase Agreement under similar market conditions, we are of the view that while the Issuance Comparables should not be used in isolation in determining the fairness and reasonableness of the Issue Price, nevertheless they can provide a general reference basis to the Independent Shareholders as they can reflect recent market trends of the terms used in issuing shares as full or partial settlement of consideration. As such we consider that the Issuance Comparables are fair and representative samples.

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Table 2: Comparable transactions analysis

Date of announcement	Company Name	Ticker	Premium/(discount) of the issue price over/(to)the average VWAP of				
			Closing price of the last trading day prior to/on the date of the relevant announcement	Last 30 consecutive trading day prior to/on the date of the relevant announcement	Last 45 consecutive trading day prior to/on the date of the relevant announcement	Last 60 consecutive trading day prior to/on the date of the relevant announcement	Last 90 consecutive trading day prior to/on the date of the relevant announcement
27-Sep-19	Zhaojin Mining Industry Company Limited	1818 HK	(2.6%)	(8.8%)	(8.4%)	(5.9%)	34.9%
27-Sep-19	Sansheng Holdings (Group) Co. Ltd.	2183 HK	0.0%	(0.8%)	(2.6%)	(3.8%)	(5.3%)
28-Nov-19	AviChina Industry & Technology Company Limited	2357 HK	19.0%	15.0%	12.9%	9.5%	7.2%
31-Dec-19	Solis Holdings Limited	2227 HK	1.7%	(1.4%)	(3.3%)	(8.0%)	(16.6%)
		Maximum	19.0%	15.0%	12.9%	9.5%	34.9%
		Minimum	(2.6%)	(8.8%)	(8.4%)	(8.0%)	(16.6%)
		Average	4.5%	1.0%	(0.3%)	(2.1%)	5.1%
		Issue Price	(19.3%)	(6.0%)	(2.1%)	1.4%	8.8%

Source: The Stock Exchange

As illustrated in Table 2, the issue prices of the Comparable transactions ranged from a discount of approximately 2.6% to a premium of approximately 19.0% to/over the share price of the last trading day (the “**Market Range I**”) with an average premium of approximately 4.5% (the “**Market Average I**”), from a discount of approximately 8.8% to a premium of approximately 15.0% to/over the average VWAP of the last 30 trading days immediately preceding the date of agreement (the “**Market Range II**”) with an average premium of approximately 1.0% (the “**Market Average II**”), from a discount of approximately 8.4% to a premium of approximately 12.9% to/over the average VWAP of the last 45 trading days immediately preceding the date of agreement (the “**Market Range III**”) with an average discount of approximately 0.3% (the “**Market Average III**”), from a discount of approximately 8.0% to a premium of approximately 9.5% to/over the average VWAP of the last 60 trading days immediately preceding the date of agreement (the “**Market Range IV**”) with an average discount of approximately 2.1% (the “**Market Average IV**”) and from a discount of approximately 16.6% to a premium of approximately 34.9% to/over the average VWAP of the last 90 trading days immediately preceding the date of agreement (the “**Market Range V**”) with an average premium of approximately 5.1% (the “**Market Average V**”).

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We note that the Issue Price represents a discount of approximately 19.3% to the closing price of the Shares as at the Last Trading Day (the “**Issue Price Discount I**”), a discount of approximately 6.0% to the average VWAP of the Shares for the last 30 trading days up to and including the Last Trading Day (the “**Issue Price Discount II**”), a discount of approximately 2.1% over the average VWAP of the Shares for the last 45 trading days up to and including the Last Trading Day (the “**Issue Price Discount III**”), a premium of approximately 1.4% over the average VWAP of the Shares for the last 60 trading days up to and including the Last Trading Day (the “**Issue Price Premium I**”) and a premium of approximately 8.8% over the average VWAP of the Shares for the last 90 trading days up to and including the Last Trading Day (the “**Issue Price Premium II**”).

We note that (i) the Issue Price Discount I represents a price discount that is deeper than the Market Range I; (ii) the Issue Price Discount II represents a price discount that is deeper than the Market Average II but within the Market Range II; (iii) the Issue Price Discount III represents a price discount that is deeper than the Market Average III but within the Market Range III; (iv) the Issue Price Premium I represents a price premium that is better than the Market Average IV and within the Market Range IV; and (v) the Issue Price Premium II represents a price premium that is better than the Market Average V and within the Market Range V.

We have discussed with the management of the Company in relation to the basis of determining the Issue Price. We understand from the management of the Company that they reviewed the historical share price performance of the Shares and they consider it is appropriate to reference the VWAP of the Shares over a longer period as the basis of determining the Issue Price. As illustrated in Exhibit 1 above, we note that over the Review Period, the lowest closing price of the Shares was HK\$6.25 and the highest closing price of the Shares was HK\$11.78, representing an overall upward Share price movement of 88%. Because of such volatility in the historical share price performance of the Shares, we concur with the management of the Company that it is appropriate to reference the VWAP of the Shares over a longer period as the basis of determining the Issue Price.

Since all longer period VWAPs (30 days, 45 days, 60 days and 90 days) are within their respective Market Range and in particular both the Issue Price Premium I and Issue Price Premium II represent a price premium that is better than the respective Market Average IV and Market Average V, we are of the view that the Issue Price is fair and reasonable.

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7. Effect of the Proposed Acquisition on the shareholding structure of the Company

The following table illustrates the shareholding structure of the Company: (i) as at the Latest Practicable Date; and (ii) immediately after Completion (assuming there is no change in the issued share capital of the Company other than the issue of the Consideration Shares between the Latest Practicable Date and Completion).

Table 3: Potential shareholding dilution effect of the Transaction

	As at the Latest Practicable Date		Immediately after Completion	
	Number of Shares	%	Number of Shares	%
Non-public Shareholders				
— Perfect Advance	3,103,816,661	25.71	3,103,816,661	24.00
— Ali JK Nutritional Products Holding Limited	3,699,911,207	30.64	4,560,785,407	35.26
— Innovare Tech Limited	1,232,811,347	10.21	1,232,811,347	9.53
— Antfin (Hong Kong) Holding Limited	60,576,000	0.50	60,576,000	0.47
— Directors of the Company	13,500,769	0.11	13,500,769	0.10
— Directors of the Subsidiaries	5,052,284	0.04	5,052,284	0.04
Public Shareholders				
Other shareholders	<u>3,958,194,456</u>	<u>32.78</u>	<u>3,958,194,456</u>	<u>30.60</u>
Total	<u>12,073,862,724*</u>	<u>100%</u>	<u>12,934,736,924</u>	<u>100%</u>

* Since the last monthly return submitted by the Company under Rule 13.25B of the Listing Rules, the Company had issued a total of 1,040,000 Shares due to the exercise of share options by certain employees of the Company under the Company's share award scheme. Such options were not exercised by a Director and hence a next day disclosure return was not submitted by the Company under Rule 13.25 A (1) of the Listing Rules.

As indicated in Table 3 above, the shareholding of public Shareholders will decrease from approximately 32.78% to approximately 30.60% immediately after Completion. Such potential dilution to the shareholdings of public Shareholders represents a dilution by absolute percentage amount of approximately 2.18% immediately after Completion.

Taking into account that:

- (i) it is in the interests of the Company and the Shareholders to enter into the Proposed Acquisition;
- (ii) the Consideration under the Share Purchase Agreement is fair and reasonable; and
- (iii) the Issue Price is fair and reasonable to the Company and the Shareholders as a whole,

we consider the potential dilution effect on the shareholding interests of the public Shareholders to be justifiable.

8. Financial impact of the Proposed Acquisition

8.1 Effect on the net asset value (“NAV”)

According to the 2019 Interim Report, the NAV was approximately RMB5,020,647,000 as at September 30, 2019. Given the total net asset value of the Target Business was nil as of March 31, 2019, the Proposed Acquisition would not have any negative impact on the asset base after consolidating the financial result of the Target Company into the consolidated financial statements of the Group upon Completion.

Therefore, we are of the view that the Proposed Acquisition will not have any negative impact on the NAV of the Group.

8.2 Effect on the earnings

According to the 2019 Interim Report and 2018–2019 Annual Report, the Group recorded revenue of approximately RMB4,116,846,000 and loss for six months ended September 30, 2019 was approximately RMB7,629,000, and a revenue of approximately RMB5,095,867,000 and loss of RMB91,764,000 for the year ended March 31, 2019, respectively.

As set out in the Letter from the Board of the Circular, the unaudited net profit of the Target Group for the year ended March 31, 2019 was RMB59,653,000. Therefore, as discussed in Section 3 “Reasons for and benefits of the Proposed Acquisition and Framework Technical Services Agreement”, it is expected that the Proposed Acquisition will create synergies between the Group and the Target Company, which may potentially enhance the earnings of the Group given the Target Group’s consolidated net profit will be consolidated into the Group after the Completion.

Therefore, we are of the view that the Proposed Acquisition will have a potential positive impact on the earnings of the Group.

8.3 Effect on the Group’s cash and working capital

As disclosed in the 2019 Interim Report, the Group had net current assets of approximately RMB2,199,825,000 (including cash and cash balances of approximately RMB2,658,998,000) as at September 30, 2019. We understand from the management of the Company that the payment of the Consideration will be financed through issuing Consideration Shares.

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As such, we concur with the management of the Company that the Proposed Acquisition will not have a material adverse impact on the cash position and working capital of the Group.

In light of:

- (a) no negative impact on the NAV of the Group;
- (b) a potential positive impact on the earnings of the Group; and
- (c) no material adverse impact on the cash position and the working capital of the Group,

we are of the view that the Proposed Acquisition will have an overall positive financial effect on the Group and is in the interests of the Company and the Shareholders as a whole.

9. Background of the Framework Technical Services Agreement

The Company believes that it will be able to continue to, as it has done in the past, carry on its business and operations independently from Alibaba Holding following the Proposed Acquisition. The Company continues to drive its strategy in China's healthcare market independently of Alibaba Holding, and derives significant revenues from its self-operated healthcare product and service sales business (including the Company's owned and operated online and offline pharmacy stores). The Company intends to continue to grow such business, as well as its Internet-based medical services, consumer healthcare services, intelligent medicine services and tracking services which are generally also independent from Alibaba Holding, going forward.

Before the Proposed Acquisition, Taobao Holding (through its Subsidiaries, including the Tmall Entities and Taobao China) incurred costs to service the Target Merchants and provide the technical services and platform where they sold Target Products and Services. Following Completion, while the Company will provide e-commerce platform maintenance related software services to the Target Merchants, Taobao Holding and its Subsidiaries will continue to provide access to its e-commerce platforms to the Target Merchants and incur operating costs for the provision of the technical services and the platforms. Taobao Holding and the Company entered into the Framework Technical Services Agreement on February 6, 2020 to set out the terms of services to be provided by Taobao Holding and its Subsidiaries and the relevant Tmall Software Service Fees.

10. Major terms of the Framework Technical Services Agreement

The principal terms of the Framework Technical Services Agreement are set out as follows.

- Date:** February 6, 2020
- Parties:**
- (a) The Company (for itself and on behalf of its Subsidiaries and Affiliates); and
 - (b) Taobao Holding (for itself and on behalf of its Subsidiaries and Affiliates).
- Term and termination:** Subject to the approval of the Proposed Acquisition and the Framework Technical Services Agreement by the Independent Shareholders at the SGM, the term of the Framework Technical Services Agreement will commence on the day following Completion and end on March 31, 2023, unless otherwise mutually agreed between the parties. For the avoidance of doubt, Completion will not be earlier than March 31, 2020 and therefore the Framework Technical Services Agreement will not commence earlier than April 1, 2020. The parties will determine whether to renew the Framework Technical Services Agreement 60 days before it expires.
- Services to be provided:** Pursuant to the terms of the Framework Technical Services Agreement, after Completion, Taobao Holding will procure its Subsidiaries, including the Tmall Entities and Taobao China, to continue to provide infrastructure technical support for the operation of the Tmall Platforms, including the following services:
- (a) Software technical support: Taobao Holding and its Subsidiaries will provide infrastructure technical support to the Company and its Affiliates or the Target Merchants as requested by the Company for the Tmall Software Service Fees. The infrastructure technical support includes product information display and Internet transaction services on the Tmall Platforms and related software technology services;

- (b) Internet information services and secondary domain names: As the platform provider and operator, Taobao Holding will provide Tmall.com and Tmall.hk and the secondary domain names to the Target Merchants as a platform for the Target Merchant's operation of business;
- (c) Other services: Taobao Holding and its Subsidiaries may provide the Target Merchants with additional services including but not limited to marketing services and Merchant customer services on the Tmall Platforms. Taobao Holding and its Subsidiaries will not charge the Company for those services unless the Company requests such services whereupon the parties will agree on a separate service fee.

From time to time the Tmall Entities and/or Taobao China may organize platform-wide promotional events through which they coordinate with the Merchants on the Tmall Platforms, including the Target Merchants through the Company, to offer discounts to consumers over a period of time and implement a number of customer loyalty programs to encourage repeat shopping.

Tmall Software Service Fee and annual caps

The Company shall pay the Tmall Software Service Fees to Taobao Holding and its Subsidiaries equal to 40% of the Company Software Service Fees received by the Company from the Target Merchants for transactions selling Pharmaceutical Products and 50% of the Company Software Service Fees received by the Company from the Target Merchants for transactions selling the Other Target Products and Services on the Tmall Platforms and utilizing services provided by Taobao Holding and its Subsidiaries. The Company Software Service Fees are currently up to 4% of the value of completed sales of Target Products and Services sold on the Tmall Platforms, and will be deducted from the receivables of the relevant Target Merchant and paid to the Company after a customer confirms the receipt of the products he or she purchases. The vice president of the finance department of the Company will cross-check the amount of the Tmall Software Service Fees being paid to Taobao Holding and its Subsidiaries on a monthly basis to ensure the accuracy of the amount.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Tmall Software Service Fees shall be settled in cash on a monthly basis. The Tmall Software Service Fees have been determined with reference to:

- (i) the historical level of costs that have been incurred by Taobao Holding (through its Subsidiaries, including the Tmall Entities and Taobao China) to service the Target Merchants before the Proposed Acquisition, including the provision of technical services and platforms to the Target Merchants; and
- (ii) the approximate split of projected near term costs that will be incurred by the Company and Taobao Holding and its Subsidiaries following Completion with reference to the support and resources that will need to be provided to Target Merchants. While the Company will provide e-commerce platform maintenance related software services to the Target Merchants, Taobao Holding and its Subsidiaries will continue to provide access to its e-commerce platforms to the Target Merchants and incur operating costs for the provision of the technical services and the platforms following Completion. Specifically, the Tmall Software Services Fees are lower for Pharmaceutical Products because it is expected that the Company will incur a higher level of costs to support the sales of Pharmaceutical Products for Target Merchants as it will provide additional services such as e-commerce platform maintenance related software services for hospitals and doctors, prescription processing, safety and risk management systems and services and risk control.

The Directors, including the independent non-executive Directors (after taking into account the advice of the Independent Financial Adviser), are of the view that the above pricing mechanism of the Framework Technical Services Agreement is fair and reasonable, and in the interests of the Company and the Independent Shareholders.

The proposed annual caps (where applicable) in respect of the Framework Technical Services Agreement (the “**Proposed Payable Annual Caps**”) for each of the financial years ending March 31, 2021, 2022 and 2023 are set out as follows:

	For the financial year ending March 31, 2021 (in RMB)	For the financial year ending March 31, 2022 (in RMB)	For the financial year ending March 31, 2023 (in RMB)
Purchase of services from Taobao Holding and its Subsidiaries under the Framework Technical Services Agreement	262,000,000	464,000,000	799,000,000

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Proposed Annual Caps were arrived at after considering the historical revenue of Tmall attributable to the Target Group for recent financial years (i.e. RMB149 million and RMB192 million in the financial years ended March 31, 2018 and 2019, respectively), the projected revenue of Tmall for the Target Business, the Company's own projections for the Target Business were based on projections for the growth of its existing Internet healthcare business and the overall healthcare market in China and the Company's marketing plans for enhancing the services that the Company seeks to provide to the Target Merchants.

Based on our discussions with the management of the Company, we understand that the determination of the Proposed Payable Annual Cap for the financial year ending March 31, 2021 is based on: (i) the projected revenue of Tmall attributable to the Target Group for the financial year ending March 31, 2020, by annualizing the actual revenue received; and (ii) a certain buffer. We note that the Proposed Payable Annual Cap for the financial year ending March 31, 2021 represents an increase of approximately 60% to 75% in comparison to the projected revenue of Tmall attributable to the Target Group for the financial year ending March 31, 2020.

We would like to further note that the Proposed Payable Annual Caps represents a year-on-year increase of approximately 77% for the financial year ending March 31, 2022 and approximately 72% for the financial year ending March 31, 2023, respectively.

We have reviewed and noticed that the GMV generated by the Tmall's Pharmaceutical platform operated by the Company had increased to RMB37 billion for the six months ended September 30, 2019 from RMB25 billion for the six months ended September 30, 2018, up by 48% year-on-year.

As mentioned in the 'Overview of China's e-commerce market, pharmaceutical and healthcare products and services markets', the market size for PRC internet medical industry is expected to maintain a compound annual growth rate of 33.6% in the period from 2018 to 2026. We also consider that, the full implementation of the Drug Administration Law of the PRC (as amended in 2019) since December 1, 2019, which provides the policy support for the Group to commence the online sale of prescription drugs, in turn will provide further growth to the Group's businesses. In addition, we have reviewed the relevant annual caps for similar transactions involving previous acquisitions made by the Company and are of the view that adding certain buffer is fair and reasonable.

In light of the above, we are of the view that the basis for determining the Proposed Payable Annual Caps is fair and reasonable.

Internal controls relating to the implementation of the Proposed Payable Annual Caps

The Company has internal controls in place to monitor the implementation of the monetary caps, including a written policy which sets out the proper steps for escalating information regarding the usage of the proposed annual caps from the operating team to the executive officers, including monthly reports to the Company's chief executive officer, chief financial officer and general counsel and then to the independent non-executive Directors where required. The Company's operating team will have day-to-day interaction with the Target Merchants and will be able to closely monitor applicable GMV on a weekly basis. The Framework Technical Services Agreement includes a customary provision pursuant to which Taobao Holding agrees to allow the Company and its auditors access to information necessary to report on the non-exempt continuing connected transactions.

The Tripartite Agreements

In order to open a storefront on Tmall or Tmall Global, each of the Target Merchants has accepted the terms of an Existing Target Merchant Contract. As part of the Business Restructuring, the Vendor has agreed to use all reasonable endeavors to procure:

- (a) in respect of Target Merchants on Tmall, each of the relevant Target Merchants and the Tmall Entities to enter into a Tmall Tripartite Agreement with the WFOE; and
- (b) in respect of Target Merchants on Tmall Global, each of the relevant Target Merchants and the Taobao China to enter into a Tmall Global Tripartite Agreement with the HK Subsidiary.

The Tmall Tripartite Agreements and the Tmall Global Tripartite Agreements (together, the "**Tripartite Agreements**") are ancillary implementation agreements to the Framework Technical Services Agreement.

The parties to the Framework Technical Services Agreement have agreed on the form of the Tripartite Agreements which is a supplemental agreement to the Existing Target Merchant Contract with respect to Target Products and Services.

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Pursuant to the terms of the Tripartite Agreements, the WFOE or the HK Subsidiary (as the case may be) will provide e-commerce platform maintenance related software services to the Target Merchants for a fee. Those services involve the: (i) Merchants admission system; (ii) product quality control system; and (iii) Merchants operational and maintenance services system. They include:

- tracking market trends and policy updates and updating Merchants on material policy updates;
- Merchant business operation and management, including handling certain matters relating to signing and renewal of tripartite agreements with (i) the Target Merchants and (ii) the Tmall Entities and Taobao China (as applicable), reviewing product information and images displayed by Merchants, reviewing the documents required for Merchants' admission, formulating and implementing quality control rules and conducting regular inspections;
- Merchant customer services, including providing helpline support for Merchants on the process of admission to the Tmall Platforms 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;
- 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;
- in respect of Pharmaceutical Products, prescription processing and safety and risk management systems and services; and
- 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).

The Tmall Entities and Taobao China will provide the Target Merchants with: (i) information display services on the platform and Merchant's storefronts; (ii) software technology services in respect of the credit points system on the Tmall Platforms; and (iii) the secondary domain names for the Target Merchants. The Merchants can seek general customer service support from the Tmall Entities and Taobao China, for instance, in relation to technical issues encountered on the Tmall Platforms.

11. Reasons for and benefits of entering into the Framework Technical Services Agreement

As stated in the Letter from the Board in the Circular, before the Proposed Acquisition, Taobao Holding (through its Subsidiaries, including the Tmall Entities and Taobao China) incurred costs to service the Target Merchants and provide the technical services and platforms on which they sold Target Products and Services. Following Completion, Taobao Holding and its Subsidiaries will continue to incur operating costs for the provision of these technical services and the provision of the platforms. Therefore, the Tmall Software Service Fees will be payable to Taobao Holding and its Subsidiaries. The Company considers the Framework Technical Services Agreement is necessary as a result of the Merchant relationships in respect of Target Products and Services being assigned to the Company from Alibaba Holding and because the technical support and services from Taobao Holding to the Company are crucial to allow the Target Merchants to operate on these platforms.

We understand from the management of the Company that it is necessary to enter into the Framework Technical Services Agreement to allow the Target Merchants to operate on the Tmall Platforms after Completion. Without such arrangements, the Target Merchants will not be able to carry out their business on the Tmall Platforms and thus the Company will not be able to fully benefit from the Proposed Acquisition. We are of the view that the entering into the Framework Technical Services Agreement falls within the ordinary and usual course of business of the Company.

We note that the Company shall pay the Tmall Software Service Fees to Taobao Holding and its Subsidiaries equal to 40% of the Company Software Service Fees received by the Company from the Target Merchants for transactions selling Pharmaceutical Products and equal to 50% of the Company Software Service Fees received by the Company from the Target Merchants for transactions selling the Other Target Products and Services on the Tmall Platforms and utilizing services provided by Taobao Holding and its Subsidiaries. The Company Software Service Fees are up to 4% of the value of completed sales of Target Products and Services sold on the Tmall Platforms and will be deducted from the receivables of the relevant Target Merchant and paid to the Company after a customer confirms the receipt of the products he or she purchases. We understand from the discussion with the management of the Company that they have also taken into consideration factors such as the amount of work needed, efficiency and expertise of the services provided by Taobao Holding and its Subsidiaries and the effectiveness of communication of the service providers in relation to the operating costs expected to be incurred by Taobao Holding and its Subsidiaries in providing the services including staff costs and technical support expenses before deciding on the revenue sharing arrangement.

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Although we are not able to identify any other companies engaging in the provision of similar value-added services to the healthcare e-commerce industry for the justification of such revenue sharing arrangement, we think it is appropriate to make reference to offline retail cases. We believe that as the Target Company will effectively exclusively operate the e-commerce business in respect of the Target Products and Services on the Tmall Platforms, the Target Company may be likened to a department store which markets different brands (the Target Merchants are featured in different stores in the channel much like brands have counters in a department store) and the Tmall Platforms are akin to the shopping mall in which the department store rents space. While a department store services different brands, it also needs to pay a fee to the shopping mall for the rental space as well as the facilities and other services, which includes management fees, utilities etc., provided by the shopping mall.

In reality, overage rent agreements are usually practiced by retail properties given that overage rent is a term used to describe the additional amount of rent that a tenant needs to pay once sales reach a pre-determined sales target. Overage rent agreements are often seen as a win-win arrangement for both tenants and landlord as it allows landlord to have uncapped revenue and the tenants will also usually receive some form of promotional support activities from the landlord in increasing the amount of human traffic into the property. In comparison, as an online retailer, the Target Company also pays the online platforms Tmall and Tmall Global for certain technical services which Taobao Holding and its Subsidiaries provide. Additionally, the Company will provide additional value-added services to the Target Merchants such as 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 and tracking market trends and updating Merchants on any policy updates for a fee which is similar to the offline retail cases. The amount of the Tmall Software Service Fees is calculated with reference to the value of completed sales of Target Products and Services which is also reasonable because the more Target Products and Services are being sold, the more technical services are needed to maintain the stability of the online storefronts. We are of the view that the revenue sharing arrangement entered into between the Company and Taobao Holding is in line with traditional retail properties in many aspects as explained above and therefore, we concur with the management of the Company that such revenue sharing arrangement is fair and reasonable.

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In addition, based on the discussion with the management of the Company, we understand that the Tmall Software Service Fees have been determined with reference to (i) the historical level of costs that have been incurred by Taobao Holding (through its Subsidiaries, including the Tmall Entities and Taobao China) to service the Target Merchants before the Proposed Acquisition, including the provision of technical services and platforms to the Target Merchants; (ii) the approximate split of projected near term costs that will be incurred by the Company and Taobao Holding and its Subsidiaries following Completion with reference to the support and resources that will need to be provided to Target Merchants. While the Company will provide e-commerce platform maintenance related software services to the Target Merchants, Taobao Holding and its Subsidiaries will continue to provide access to its e-commerce platforms to the Target Merchants and incur operating costs for the provision of the technical services and the platforms following Completion. Specifically, the Tmall Software Services Fees are lower for Pharmaceutical Products because it is expected that the Company will incur a higher level of costs to support Pharmaceutical Products for Target Merchants as it will provide additional services such as e-commerce platform maintenance related software services from hospitals and doctors, prescription processing, safety and risk management systems and services and risk control. We have discussed with the management of the Company and reviewed related documents and noted that based on the historical figures of the last three years, the average percentage of the costs and expenses that would have been borne by Taobao Holding and its Subsidiaries if the Framework Technical Services Agreement had been in effect since April 1, 2017 would be in the range of 40% to 50%. Hence we are of the view that it is reasonable for the Company to share the Company Software Service Fees received from the Target Merchants with Taobao Holding and its Subsidiaries to compensate the costs incurred by Taobao Holding and its Subsidiaries to provide technical services and platforms to the Target Merchants. In terms of future business development of the Target Company, both Taobao Holding and its Subsidiaries and the Company will provide support to the Target Merchants, with the Company leveraging on its specialty in the healthcare industry to provide e-commerce platform maintenance related software services to the Target Merchants and Taobao Holding and its Subsidiaries continuing to provide software technical services for the operation of Tmall and Tmall Global to the Target Merchants. Therefore, services provided by both parties are essential and value-added services will benefit the Target Merchants and the Target Business in the future. In addition, we understand from the Company's management that the Company will provide additional services in respect of Pharmaceutical Products, such as prescription processing and safety and risk management systems and services, and therefore the Company shall pay a Tmall Software Service Fee to the Tmall Entities equal to 40% of the Company Software Service Fees received by the Company from the Target Merchants for transactions selling Pharmaceutical Products on the Tmall Platforms, to reflect the relatively higher costs incurred by the Company in providing services to the Target Merchants. As such, we believe that the different split of the Company Software Service Fees received from the Target Merchants between the Company and Taobao Holding and its Subsidiaries is fair and reasonable.

We understand that the Company has internal controls in place and will comply with specific policies and procedures in order to safeguard the pricing policy of the transactions contemplated under the Framework Technical Services Agreement. We have obtained some samples of existing Target Merchant contracts and confirmed that the terms under which correspond with the terms set out in the Framework Technical Services Agreement. The Company's operating team will have day-to-day interaction with the Target Merchants and will be able to closely monitor applicable GMV on a weekly basis and the vice president of the finance department of the Company will cross-check the amount of the Tmall Software Service Fees being paid to Taobao Holding on a monthly basis to ensure the accuracy of the amount. The Framework Technical Services Agreement includes a customary provision pursuant to which Taobao Holding agrees to allow the Company and its auditors access to information necessary to report on the non-exempt continuing connected transactions. We are of the view that such arrangements will help to ensure that the continuing connected transactions are conducted in accordance with the terms of the Framework Technical Services Agreement.

Given that (i) the technical support and services from Taobao Holding and its Subsidiaries to the Company are crucial to allow the Target Merchants to operate on the Tmall Platforms; (ii) the services provided by Taobao Holding and its Subsidiaries will allow the Target Merchants to increase their sales of the Target Products and Services and thereby benefit the Company; (iii) the revenue sharing arrangement can be viewed as a transformation derived from the traditional offline retail model; and (iv) the Company has sound internal control policies and procedures to ensure that the continuing connected transactions are conducted in accordance with the terms of the Framework Technical Services Agreement, we are of the view that the entry into the Framework Technical Services Agreement is in the interests of the Group and the Shareholders as a whole.

12. Proposed Payable Annual Caps for the continuing connected transactions in relation to the Framework Technical Services Agreement

In respect of the Proposed Payable Annual Caps, we understand that the annual caps were determined by reference to (i) the historical revenue of the Tmall Platforms attributable to the Target Business for recent financial years (i.e. RMB149 million and RMB192 million in the financial years ended March 31, 2018 and 2019, respectively); (ii) the projected revenue of the Tmall Platforms for the Target Business; (iii) the Company's own projections for the Target Business based on projections for the growth of the overall healthcare market in China; and (iv) the Company's marketing plans for enhancing the services that the Company seeks to provide to the Target Merchants.

As mentioned above, the Proposed Payable Annual Caps in respect of the fees payable to the Tmall Entities under the Framework Technical Services Agreement are RMB262 million, RMB464 million and RMB799 million for each of the financial years ending March 31, 2021, 2022 and 2023, respectively.

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In order to assess the fairness and reasonableness of the Proposed Payable Annual Caps, we have reviewed and discussed the relevant calculations with the management of the Company and understand from them that the Proposed Payable Annual Caps are arrived at mainly based on, *inter alia*, the anticipated sales of Target Products and Services on the Tmall Platforms, and the corresponding fees which the Target Business is projected to receive from the Target Merchants during the three years ending March 31, 2023.

The increase in the Proposed Payable Annual Caps takes into account the management's anticipation of the expected growth in the revenue received from the Target Merchants, in other words, the expected growth for the sales of the Target Products and Services on the Tmall Platforms. GMV is a key operating metric for monitoring the operational performance of the Target Company. GMV of the Target Business is largely driven by the demand for Target Products and Services in China, which is one of the world's largest and fastest growing healthcare markets. The rapid growth of the healthcare industry in China is significantly influenced by a number of factors including, but not limited to, the factors set out in Section 2 "Overview of China's e-commerce market, pharmaceutical and healthcare products and services markets", hence, we concur with the management of the Company that the China's pharmaceutical and healthcare products and services e-commerce market will further experience a rapid expansion. As a result, the sales of the Target Products and Services on the Tmall Platforms will significantly increase and the Company Software Service Fees receivable from the Target Merchants and Tmall Software Service Fees payable to Taobao Holding will increase proportionally.

We have further reviewed the projected revenue of the Tmall Platforms for the Target Business, the Company's own projections for the Target Business based on projections for the growth of the overall healthcare market in China and the Company's marketing plans for enhancing the services that the Company seeks to provide to the Target Merchants. As disclosed in the Letter of the Board, the unaudited revenue for the Target Business for the two years ended March 31, 2018 and 2019 are approximately RMB149 million and RMB192 million, respectively, representing an annual increase of 29.1% over the period. Taking into consideration the historical revenue growth of Target Business and the potential growth driver from the future sales revenue of prescription drugs from the newly implemented Drug Administration Law of the PRC (as amended in 2019), we are of the view that the projected revenue of the Tmall Platforms for the Target Business is fair and reasonable and in line with the historical performance. After further reviewing and discussing with the management of the Company, we are of the view that the marketing plans provided by the management of the Company are fair and reasonable and in line with our independent research on the industry and our view on the development of China's pharmaceutical and healthcare products and services e-commerce market.

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In addition, management of the Company has also factored in certain buffer to cater for (i) the potential inflation in the price of the Target Products and Services; and (ii) to provide flexibility to the Company's business operation considering the anticipated rapid expansion in China's healthcare industry when determining the Proposed Payable Annual Caps. We have reviewed relevant internal projection materials provided by the Company and we are of the view that the Proposed Payable Annual Caps as well as the annual increases are fair and reasonable.

Furthermore, we understand from the management of the Company that the Company has sound internal controls and will have specific policies and procedures relating to the implementation of the Proposed Payable Annual Caps as stated in the Letter from the Board in the Circular. The Company will have a written policy which sets out the proper steps for escalating information regarding the usage of the Proposed Payable Annual Caps from the operating team to the executive officers, including monthly reports to the Company's chief executive officer, chief financial officer and general counsel and then to the independent non-executive directors where required. The Company's operating team will have day-to-day interaction with the Target Merchants and will be able to closely monitor applicable GMV on a weekly basis and the vice president of the finance department of the Company will cross-check the amount of the Tmall Software Service Fees being paid to Taobao Holding and its Subsidiaries on a monthly basis to ensure the accuracy of the amount. The Framework Technical Services Agreement includes a customary provision pursuant to which Taobao Holding agrees to allow the Company and its auditors access to information necessary to report on the non-exempt continuing connected transactions. Therefore, we are of the view that the Company is able to implement appropriate measures to govern the conduct of the transactions to be carried out pursuant to the Framework Technical Services Agreement and to safeguard the interests of the Independent Shareholders.

In conclusion, we consider the Proposed Payable Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

We have considered the above principal factors and reasons and, in particular, having taken into account the following in arriving at our opinion:

- (a) the Proposed Acquisition is in the ordinary and usual course of business and it is in line with the business strategy of the Group;
- (b) completing the Proposed Acquisition will enhance the development of the businesses of the Group;
- (c) the entering into the New Deed of Non-competition by the Company is fair and reasonable;
- (d) the Consideration is fair and reasonable so far as the Independent Shareholders are concerned as compared to Comparable Companies;

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- (e) the Issue Price of the Consideration Shares is fair and reasonable so far as the Independent Shareholders are concerned;
- (f) the Transaction will have an overall potential positive financial effect on the Group and is in the interests of the Company and the Independent Shareholders as a whole;
- (g) the entry into the Framework Technical Services Agreement falls within the ordinary and usual course of business of the Group and is in the interests of the Group and the Shareholders as a whole; and
- (h) the Proposed Payable Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the above, we are of the view that the Share Purchase Agreement, the Framework Technical Services Agreement and the Transactions are entered into in the interests of the Group's business development, are on normal commercial terms and in the ordinary course of business of the Group, and that the terms of the Share Purchase Agreement and the Framework Technical Services Agreement 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 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 a 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 and has over thirteen 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. SHEN Difan	Equity derivative interests ⁽¹⁾	9,860,000	0.08%
Mr. WANG Qiang	Beneficial owner and equity derivative interests ⁽²⁾	5,440,194	0.05%
Mr. WU Yongming	Beneficial owner	1,262,000	0.01%
Mr. WANG Lei	Beneficial owner and equity derivative interests ⁽³⁾	10,421,250	0.09%
	Beneficiary of a trust ⁽⁴⁾	3,575,825	0.03%

Notes:

- (1) Subject to vesting, Mr. SHEN Difan is interested in 9,860,000 shares underlying the 8,190,000 options and 1,670,000 restricted share units ("RSUs") 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) Mr. WANG Qiang beneficially held 316,194 ordinary shares and subject to vesting, he is interested in 5,124,000 shares underlying the 4,000,000 options and 1,124,000 RSUs granted to him in accordance with the share award scheme adopted by the Company at the special general meeting held on November 24, 2014.
- (3) Mr. WANG Lei beneficially held 8,346,750 ordinary shares. Subject to vesting, he is interested in 2,074,500 shares underlying the 8,632,000 options and 1,789,250 RSUs granted to him in accordance with the share award scheme adopted by the Company at the special general meeting held on November 24, 2014.
- (4) It represents 3,575,825 ordinary shares or underlying ordinary shares held by a private trust whereby Mr. WANG Lei and his family are beneficiaries.

Long Position in shares of associated corporation

Name of Director	Name of associated corporation	Nature of interest	Number of shares/ underlying shares held ⁽⁹⁾	% of issued shares of associated corporation
Mr. SHEN Difan	Alibaba Holding	Beneficial owner, equity derivative interests and interests of spouse ⁽¹⁾	296,296*	0.00%
Mr. WANG Qiang	Alibaba Holding	Beneficial owner and equity derivative interests ⁽²⁾	18,600*	0.00%
	Intime Retail (Group) Company	Equity derivative interests ⁽³⁾	300,000	0.01%
Mr. WU Yongming	Alibaba Holding	Beneficial owner and interests of spouse ⁽⁴⁾	1,625,736*	0.01%
		Founder of a discretionary trust ⁽⁵⁾	46,509,520*	0.22%
Mr. WANG Lei	Alibaba Holding	Beneficial owner, equity derivative interests and interests of spouse ⁽⁶⁾	1,764,696*	0.01%
		Beneficiary of a trust ⁽⁷⁾	400,000*	0.00%
Mr. XU Hong	Alibaba Holding	Equity derivative interests ⁽⁸⁾	532,000	0.00%

Notes:

- (1) It represents 137,560* ordinary shares or underlying ordinary shares and 73,000* restricted share units beneficially held by Mr. SHEN Difan and 85,736* ordinary shares or underlying shares and restricted share units held by his spouse.

- (2) It represents 6,600* ordinary shares or underlying ordinary shares and 12,000* restricted share units beneficially held by Mr. WANG Qiang.
- (3) It represents 300,000 ordinary shares underlying 300,000 options beneficially held by Mr. WANG Qiang.
- (4) It represents 25,736* ordinary shares held by Mr. WU Yongming and 1,600,000* ordinary shares held by his spouse.
- (5) It represents 46,509,520* ordinary shares or underlying ordinary shares held by Mr. WU Yongming through two private trusts whereby he is the founder of the discretionary trusts.
- (6) It represents 36,136* ordinary shares or underlying ordinary shares and 1,680,000* restricted share units beneficially held by Mr. WANG Lei and 48,560* ordinary shares or underlying ordinary shares and restricted share units held by his spouse.
- (7) It represents 400,000* ordinary shares or underlying ordinary shares held by a private trust whereby Mr. WANG Lei and his family are beneficiaries.
- (8) It represents 532,000* restricted share units beneficially held by Mr. XU Hong.

* Alibaba Holding approved to effect a one-to-eight share subdivision of its ordinary shares (the “**Share Subdivision**”) at the annual general meeting held on July 15, 2019. The Share Subdivision was effective on July 30, 2019. Accordingly, Alibaba Holding has changed its ratio of ordinary shares to American depositary shares (“**ADSs**”) from one ADS representing one ordinary share to one ADS representing eight ordinary shares. The ratio of restricted share units to ordinary shares of Alibaba Holding has also changed from one restricted share unit representing one ordinary share to one restricted share unit representing eight ordinary shares.

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. SHEN Difan was a consultant to Alibaba Group;
- Mr. WU Yongming was a president of Alibaba Group and a special assistant to the chairman of the board of directors of Alibaba Holding;
- Mr. WANG Lei was a president of Alibaba Group and the president of Local Services, a Subsidiary of Alibaba Holding; and

- Mr. XU Hong was the vice president of finance of Alibaba Group and a special assistant to the chief executive officer of Alibaba Holding,

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 the 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, 2019, 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 an online clinical research platform, 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 solutions, Lingyi Information Technology (Shanghai) Co., Ltd.* (翎醫信息科技(上海)有限公司), a company which provides maternity and infant-related patient management tools and marketing platform services, Shanghai Yiyong Health Information Consulting Co., Ltd.* (上海易雍健康信息諮詢有限公司), a company engaged in third-party health insurance services and Hangzhou Yunhu Network Technology Co., Ltd.* (杭州雲呼網絡科技有限公司), a company engaged in the operation of medical examination resources Internet platform. These 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) were 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.

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, 2019, 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, 2019, 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) the Share Purchase Agreement, with an agreed form of each of the New Deed of Non-competition and the Tripartite Agreements attached thereto;
- (ii) the Framework Technical Services Agreement;
- (iii) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 29 to 30 of this circular;
- (iv) 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 31 to 72 of this circular;
- (v) the written consent referred to in the section headed “**Consent of Expert**” of this Appendix; and
- (vi) this circular.

9. LANGUAGE

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

DEFINITIONS

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

“2020 Outsourced Services Framework Agreement”	the agreement dated January 30, 2019 between Alibaba Health Beijing and Taobao Holding in relation to the provision of Merchant Services
“Adult Products”	appliances and non-ingestible products that primarily enhance human sexual pleasure, and being appliances and non-ingestible products which are primarily sold under the primary category “Adult Products/Sexual Health Products” (“成人用品/情趣用品”) under the business category “Healthcare Products and Medicine” (“保健品及醫藥”) on Tmall, but excluding (a) any general perfume products; (b) any general underwear, apparel and accessory products; and (c) any general furniture products
“Affiliates”	(a) for any person that is an individual, his or her Immediate Family Members, and (b) for any person that is not an individual, any other person that directly or indirectly through one or more intermediaries, Controls, or is Controlled by, or is under common Control with, such person; provided, however, that for the purposes of this circular, the Vendor and its Affiliates (other than the Company and its Subsidiaries), on the one hand, and the Company and its Subsidiaries, on the other hand, shall not be deemed to be Affiliates of each other
“Alibaba Group”	a group of companies comprising Alibaba Holding and its Subsidiaries, but, for the purpose of this circular, excluding the Group
“Alibaba Health Beijing”	Alibaba Health Information Technology (Beijing) Co., Ltd.* (阿里健康信息技術(北京)有限公司), a company established in 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, with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange (Stock Symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 9988)
“Alipay”	Alipay.com Co., Ltd.* (支付寶(中國)網絡技術有限公司), a company incorporated under the laws of the PRC and which is a wholly-owned subsidiary of Ant Financial

DEFINITIONS

“Ant Financial”	Ant Small and Micro Financial Services Group Co., Ltd.* (浙江螞蟻小微金融服務集團股份有限公司), a company organized under the laws of the PRC; starting from September 2019, Alibaba Holding has held a 33% equity interest in Ant Financial
“Blue Cap Health Food”	food products that are registered (註冊) or filed (備案), from time to time, with the SAMR as “health food” (“ 保健食品 ”) in accordance with the Health Food Registration and Filing Administrative Rules (《 保健食品註冊與備案管理辦法 》) and Food Safety Law of the PRC (《 中華人民共和國食品安全法 》) (as such laws and regulations may be amended from time to time) and have obtained a health food label (“ blue cap ”) (“ 藍帽子 ”) with a unique registration or filing tracking number
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday or Sunday or public holiday) on which banks in Hong Kong, the PRC, Bermuda and the British Virgin Islands are open for the transaction of normal business
“Business Restructuring”	has the meaning given to it in the sub-section “The Share Purchase Agreement — (6) Completion and conditions precedent” of the letter from the Board in this circular
“Company”	Alibaba Health Information Technology Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00241)
“Company Software Service Fees”	the software service fees received by the Company from the Target Merchants for transactions selling Target Products and Services on the Tmall Platforms and utilizing services provided by Taobao Holding (through the Tmall Entities and Taobao China) which is equal to up to 4% of the value of completed sales of Target Products and Services sold on the Tmall Platforms and which will be deducted from the receivables of the relevant Target Merchant and paid to the Company after a customer confirms the receipt of the products he or she purchases
“Completion”	the completion of the sale and purchase of the entire issued share capital of the Target Company under the Share Purchase Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration of HK\$8.075 billion for the Proposed Acquisition

DEFINITIONS

“Consideration Shares”	860,874,200 Shares in aggregate to be issued to the Vendor pursuant to the Share Purchase Agreement
“Control”	the power or authority, whether exercised or not, to direct the business, management and policies of such 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)”	director(s) of the Company
“DNC Restricted Products”	<p>the following products and/or services:</p> <ul style="list-style-type: none">• Adult Products;• Healthcare Products;• Medical Devices;• Pharmaceutical Products;• Medical Purpose Food Products; and• Target Blue Cap Health Food
“DNC Restricted Services”	Medical and Healthcare Services
“DNC Target Merchant”	a Merchant who has obtained, or proposes to obtain, permission from Tmall or Tmall Global (or their respective Affiliates) to sell DNC Restricted Products and DNC Restricted Services on Tmall or Tmall Global (as applicable), regardless of whether any actual sales of DNC Restricted Products and DNC Restricted Services have been made by such Merchant on those platforms
“Ele.me”	the on-demand delivery and local services platform known as Ele.me (餓了麼) operated by Alibaba Holding’s Affiliates

DEFINITIONS

“Excluded Scope”	<p>(A) the facilitation of sales transactions of Adult Products on Tmall Global; and</p> <p>(B) the facilitation of sales transactions of DNC Restricted Products or DNC Restricted Services:</p> <ul style="list-style-type: none">(i) on Kaola;(ii) on Taobao Marketplace by Taobao Marketplace merchants;(iii) by Intime Retail (Group) Company Limited and its Affiliates on any platform other than the Tmall Platforms;(iv) on any other platform acquired by Alibaba Holding following the date of the New Deed of Non-Competition; and(v) using takeaway delivery model (外賣模式) on Ele.me, Koubei and other platforms Controlled or to be Controlled by Alibaba Holding
“Existing Target Merchant”	a Target Merchant which is party to an Existing Target Merchant Contract as of the date of the Share Purchase Agreement
“Existing Target Merchant Contract”	in respect of a Target Merchant, (a) the existing services agreement between the Tmall Entities and such Target Merchant that permits the sale of Target Products and Services by such Target Merchant on Tmall or (b) the existing services agreement between Taobao China (and/or its applicable Affiliate(s)) and such Target Merchant that permits the sale of Target Products and Services by such Target Merchant on Tmall Global
“Framework Technical Services Agreement”	the framework technical services agreement dated February 6, 2020 between the Company and Taobao Holding

DEFINITIONS

“GMV”	the value of confirmed orders of products and services on Alibaba Group’s relevant marketplaces or specifically on the Tmall Platforms with respect to the Target Merchants, as applicable, regardless of how, or whether, the buyer and seller settle the transaction. Unless otherwise stated, GMV in reference to Alibaba Group’s market places includes only GMV transacted on its China retail marketplaces. GMV generated from traffic through Juhuasuan is recorded as either Taobao Marketplace GMV or Tmall GMV depending on which of these two marketplaces the transaction is completed. The calculation of GMV for Alibaba Group’s China retail marketplaces or specifically on Tmall with respect to Target Merchants, as applicable, includes shipping charges paid by buyers to sellers. As a prudential matter aimed at eliminating any influence on the GMV of potentially fraudulent transactions, Alibaba Group excludes from its calculation of GMV transactions in certain product categories over certain amounts and transactions by buyers in certain product categories over a certain amount per day
“Group”	the Company and its Subsidiaries (after Completion, including the Target Group)
“Healthcare Products”	non-ingestible products which are used in the lives of people and that have specific functions such as regulating the functions of the human body and promoting health, and being non-ingestible products which are primarily sold on the secondary category “Healthcare Products” (“保健用品”) under the primary category “Internet-based Medical/Health Products” (“互聯網醫療/保健用品”) under the business category of “Healthcare Products and Medicine” (“保健品及醫藥”) on Tmall
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“HK Subsidiary”	Ali JK ZNS (HK) Limited, a company duly established and existing under the laws of Hong Kong and a wholly-owned Subsidiary of the Target Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Immediate Family Members”	for any natural person, (a) such person’s spouse, parents, parents-in-law, grandparents, children, grandchildren, siblings and siblings-in-law (in each case whether adoptive or biological), (b) spouses of such person’s children, grandchildren and siblings (in each case whether adoptive or biological) and (c) estates, trusts, partnerships and other persons which directly or indirectly through one or more intermediaries are Controlled by the foregoing
“Independent Board Committee”	the independent committee of the Board, comprising Mr. LUO Tong, Mr. WONG King On, Samuel and Ms. HUANG Yi Fei (Vanessa), being the independent non-executive Directors, established to advise the Independent Shareholders on the Share Purchase Agreement, the Framework Technical Services Agreement and the connected transactions contemplated thereunder
“Independent Financial Advisor” 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 appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Share Purchase Agreement, the Framework Technical Services Agreement and the connected transactions contemplated thereunder
“Independent Shareholders”	the Shareholders, other than (i) Alibaba Holding and its associates, including Perfect Advance and the Vendor; and (ii) those who are required to abstain from voting at the SGM to be convened to approve the Share Purchase Agreement, the Framework Technical Services Agreement and the connected transactions contemplated thereunder
“Initial Deed”	the deed of non-competition entered into between Alibaba Holding and the Company on June 30, 2017
“Issue Price”	the per share price of HK\$9.38 for the issue of each Consideration Share
“Kaola”	the import e-commerce platform known as Kaola (考拉) operated by Alibaba Holding’s Affiliates
“Koubei”	the restaurant and local services guide platform for in-store consumption known as Koubei (口碑) operated by Alibaba Holding’s Affiliates

DEFINITIONS

“Last Trading Day”	February 6, 2020, being the last full trading day for the Shares before the date of the announcement published by the Company announcing the entering into of the Share Purchase Agreement
“Latest Practicable Date”	March 9, 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Medical and Healthcare Services”	services that have the aim of maintaining and promoting human health, primarily including medical services and services related to health management and promotion, and being services which are primarily sold on the primary category “Medical and Health Services” (“醫療及健康服務”) under the business category “Service Categories” (“服務大類”) on Tmall, but excluding such services that do not require industry certification on Tmall
“Medical Devices”	instruments, equipment, appliances, materials or other items that are used, alone or in combination, on the human body, as defined from time to time by the Regulations for the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) and which are registered (註冊) or filed (備案) or, if sold in the PRC, are required to be registered or filed with the local departments of the NMPA as a “medical device” (“醫療器械”) in accordance with the Regulations for the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) (as such laws and regulations may be amended from time to time)
“Medical Purpose Food Products”	formulated food products that are specially processed and formulated for the purposes of addressing the special nutrient and supplement requirements of people suffering from limited food intake, digestion absorption difficulties, metabolic disorders or certain other diseases, as defined from time to time by the Food Safety Law of the PRC (《中華人民共和國食品安全法》) and the Rules for the Review of Food Production Licensing for Special Medical Purpose Food (《特殊醫學用途配方食品生產許可審查細則》) and which are registered or, if sold in the PRC, are required to be registered
“Merchant”	a legal entity which conducts the sale of products or provision of services on Tmall

DEFINITIONS

“Merchant Assignment”	has the meaning given to it in the sub-section “2.1 Principal terms of the Share Purchase Agreement — (7) Business Restructuring” of the letter from the Board in this circular
“Merchant Services”	the services to be provided by the Group to Taobao Holding and its Subsidiaries under the 2020 Outsourced Services Framework Agreement
“NASDAQ”	the Nasdaq Stock Market
“New Deed of Non-competition”	the deed of non-competition to be entered into between Alibaba Holding and the Company on or before the Completion
“NMPA”	National Medical Products Administration (國家藥品監督管理局)
“Non-assigned Target Merchant”	has the meaning given to it in the sub-section “The Share Purchase Agreement — (8) Transition Period” of the letter from the Board in this circular
“Non-competition Period”	the period commencing on Completion and ending on the earliest of: (i) the Shares ceasing to be listed on the Stock Exchange; (ii) Alibaba Holding ceasing to beneficially own an aggregate of 30% or more of the voting securities of the Company; (iii) the Company ceasing to be a subsidiary (as defined in the Listing Rules) of Alibaba Holding; or (iv) Alibaba Holding no longer being the single largest Shareholder (aggregated with the Shares beneficially owned by persons acting in concert with Alibaba Holding)
“Other Target Products and Services”	the Target Products and Services other than the Pharmaceutical Products
“Perfect Advance”	Perfect Advance Holding Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned Subsidiary of Alibaba Holding

DEFINITIONS

“Permitted Scope”	<p>(a) the conduct of Restricted Business pursuant to any then-effective Existing Target Merchant Contract until the earlier of: (x) the expiration of such Existing Target Merchant Contract in accordance with its terms; and (y) entering into a Tripartite Agreement in respect of such Existing Target Merchant Contract among (i) the DNC Target Merchant, (ii) the WFOE or the HK Subsidiary (as the case may be) and (iii) the Tmall Entities or Taobao China (as the case may be);</p> <p>(b) the conduct of activities pursuant to the terms of the Tripartite Agreements to be entered into among (i) the DNC Target Merchant, (ii) the WFOE or the HK Subsidiary (as the case may be) and (iii) the Tmall Entities or Taobao China (as the case may be);</p> <p>(c) the conduct of business activities pursuant to the terms of any framework technical services agreement entered into between Alibaba Holding (or its Affiliates) and the Company (or its Affiliates) relating to the DNC Restricted Products and DNC Restricted Services, including the collection of service fees thereunder; and</p> <p>(d) the conduct of any business with the Company’s prior written consent</p>
“Pharmaceutical Products”	substances that are used for the prevention, treatment or diagnosis of human diseases or that purposefully regulate people’s physiological functions, with the indications for specific symptom or functions, usages and dosage, as defined by the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》), and which are registered or, if sold in the PRC, are required to be registered with the NMPA in accordance with the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》)
“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
“Prior Deeds”	the Initial Deed and the Second Deed
“Proposed Acquisition”	the sale and purchase of the entire issued share capital of the Target Company as contemplated under the Share Purchase Agreement

DEFINITIONS

“Restricted Business”	facilitating sales transactions of: <ul style="list-style-type: none">(i) DNC Restricted Products using a business-to-consumer (B2C) transaction model in the PRC; and(ii) DNC Restricted Services on Tmall (including through Tmall Supermarket) and Tmall Global
“RMB”	Renminbi, the lawful currency of the PRC
“SAMR”	the State Administration for Market Regulation (國家市場監督管理總局)
“Second Deed”	the deed of non-competition entered into between Alibaba Holding and the Company on August 2, 2018
“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 the Share Purchase Agreement, the Framework Technical Services Agreement and the connected transactions contemplated thereunder
“Share Purchase Agreement”	the share purchase agreement dated February 6, 2020 entered into between the Company and the Vendor in respect of the Proposed Acquisition
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary shares of par value HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary” or “Subsidiaries”	an entity or entities which are Controlled
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“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

DEFINITIONS

“Taobao Holding”	Taobao Holding Limited, a limited liability company incorporated in the Cayman Islands and a wholly-owned Subsidiary of Alibaba Holding
“Taobao Marketplace”	the online and mobile commerce platform or destination known as Taobao (淘寶) operated by Alibaba Holding’s Affiliates
“Target Blue Cap Health Food”	the Blue Cap Health Food products sold on Tmall, but excluding (i) any medicated liquor sold under the secondary category “health food alcohol” (“保健食品酒”) under the primary category “alcohol” (“酒類”) category on Tmall, (ii) any energy drinks sold under the secondary category “drinks” (“飲料”) under the primary category “coffee/oatmeal/instant drinks” (“咖啡/麥片/沖飲”) category on Tmall, (iii) any maternity health food sold under the secondary category “maternity nutritional products” (“孕產婦營養品”) under the primary category “maternity wear/maternity products/nutritional products” (“孕產裝/孕產婦用品/營養品”) category on Tmall, and (iv) any infant and toddler health food sold under the secondary category “infant and toddler nutritional products” (“嬰幼兒營養品”) under the primary category “milk powder/supplemental food/nutritional products/snacks” (“奶粉/輔食/營養品/零食”) on Tmall
“Target Business”	the business to be directly or indirectly injected into the Company pursuant to the terms of the Share Purchase Agreement
“Target Company”	Ali JK ZNS Limited, a company incorporated under the laws of British Virgin Islands and a direct wholly-owned Subsidiary of the Vendor
“Target Group”	the Target Company and its Subsidiaries
“Target Merchant”	a merchant who has obtained, or proposes to obtain, permission from Tmall or Tmall Global to sell Target Products and Services on Tmall or Tmall Global (as applicable), regardless of whether any actual sales of Target Products and Services have been made by such merchant on those platforms
“Target Products and Services”	the Tmall Products and Services and the Tmall Global Products and Services
“Tmall”	Tmall.com, the third party online and mobile commerce platform known as Tmall (天貓) operated by Alibaba Holding’s Affiliates
“Tmall Entities”	Tmall Technology and Tmall Network and/or their applicable Affiliates (as the case may be), collectively

DEFINITIONS

“Tmall Global”	the third party import e-commerce platform known as Tmall Global (天貓國際) operated by Alibaba Holding’s Affiliates
“Tmall Global Products and Services”	the following products and/or services sold on Tmall Global: <ul style="list-style-type: none">• the Pharmaceutical Products;• the Medical Devices;• the Healthcare Products;• the Medical Purpose Food Products; and• the Medical and Healthcare Services
“Tmall Global Tripartite Agreements”	each of the tripartite agreements to be entered into among (i) each of the Target Merchants, (ii) the HK Subsidiary and (iii) Taobao China
“Tmall Network”	Zhejiang Tmall Network Co., Ltd* (浙江天貓網絡有限公司), a company incorporated under the laws of the PRC and ultimately Controlled by Alibaba Holding
“Tmall Platforms”	the following platforms: <ul style="list-style-type: none">(a) Tmall (which for the avoidance of doubt, includes the channel Tmall Supermarket); and(b) Tmall Global
“Tmall Products and Services”	the following products and/or services: <ul style="list-style-type: none">• the Pharmaceutical Products sold on Tmall (including through Tmall Supermarket);• the Medical Purpose Food Products sold on Tmall (including through Tmall Supermarket); and• the Medical Devices, the Adult Products, the Healthcare Products, the Medical Purpose Food Products, the Medical and Healthcare Services and the Target Blue Cap Health Food sold through Tmall Supermarket only
“Tmall Software Service Fees”	the software service fees received by Taobao Holding and its Subsidiaries from the Company pursuant to the Framework Technical Services Agreement

DEFINITIONS

“Tmall Supermarket”	the e-commerce retail channel known as Tmall Supermarket (天貓超市) operated by Alibaba Holding’s Affiliates and featured on Tmall
“Tmall Technology”	Zhejiang Tmall Technology Co., Ltd* (浙江天貓技術有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned Subsidiary of Alibaba Holding
“Tmall Tripartite Agreements”	each of the tripartite agreements to be entered into among (i) each of the Target Merchants, (ii) the WFOE and (iii) the Tmall Entities
“Transition Period”	the period commencing on the date of Completion and ending on the earliest of (i) completion of the Merchant Assignment of the Non-assigned Target Merchant; and (ii) the termination or expiration of the Existing Target Merchant Contract
“Tripartite Agreements”	the Tmall Tripartite Agreements and the Tmall Global Tripartite Agreements
“Vendor”	Ali JK Nutritional Products Holding Limited, a company incorporated under the laws of British Virgin Islands and a direct wholly-owned Subsidiary of Alibaba Holding
“VWAP”	in respect of the Shares, volume-weighted average price, being the ratio of the value traded to total volume traded over a trading day as quoted on the Stock Exchange
“WFOE”	Hangzhou Defu Health Management Co., Ltd.* (杭州得賦健康管理有限公司), a company incorporated under the laws of the PRC and a wholly-owned Subsidiary of the HK Subsidiary
“%”	per cent

* English name for identification purpose only.

For the purpose of this circular, unless the context otherwise requires or expressly specified, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of HK\$1 = RMB0.89163. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi has been, could have been or may be converted at such or any other rate or at all.

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 is hereby given that a special general meeting (the “SGM”) of Alibaba Health Information Technology Limited (the “Company”) will be held at Holiday Inn Express Hong Kong Causeway Bay, Meeting Room I & II, 7/F, 33 Sharp Street East, Causeway Bay, Hong Kong immediately after the conclusion of the special general meeting (or any adjournment thereof) of the Company to be held at the same location on Monday, March 30, 2020 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

Resolutions in relation to the Share Purchase Agreement

1. “**THAT**

- (a) the share purchase agreement entered into between the Company and Ali JK Nutritional Products Holding Limited on February 6, 2020 (the “**Share Purchase Agreement**”) and the connected transaction contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one or more of the directors of the Company (the “**Directors**”) or the company secretary of the Company (the “**Company Secretary**”) 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 resolution 1(a).”

Resolutions in relation to the conditional grant of the specific mandate for the allotment and issue of the Consideration Shares

2. “**THAT**

- (a) subject to the passing of resolutions no. 1(a) and 1(b) and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the 860,874,200 Shares in aggregate as consideration under the Share Purchase Agreement (the

NOTICE OF SPECIAL GENERAL MEETING

“**Consideration Shares**”), the grant of a specific mandate to the Directors with the power and authority to allot and issue the Consideration Shares to Ali JK Nutritional Products Holding Limited in accordance with the terms of the Share Purchase Agreement be and are hereby approved; and

- (b) any one or more of the Directors or the Company Secretary 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 resolution 2(a).”

Resolutions in relation to the Framework Technical Services Agreement

3. **“THAT**

- (a) subject to the passing of resolutions no. 1(a) and (b), the framework technical services agreement entered into between the Company and Taobao Holding Limited on February 6, 2020, the non-exempt continuing connected transactions contemplated thereunder and the proposed annual caps for the years ending March 31, 2021, 2022 and 2023, be and are hereby approved, confirmed and ratified; and
- (b) any one or more of the Directors or the Company Secretary 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 resolution 3(a).”

By Order of the Board

ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED
SHEN Difan

Chief Executive Officer and Executive Director

Hong Kong, March 11, 2020

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.

NOTICE OF SPECIAL GENERAL MEETING

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.
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 54, 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. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the SGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. The record date for determining the entitlement of the shareholders of the Company to attend and vote at the above meeting will be Tuesday, March 24, 2020. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, March 24, 2020.
6. In the event of inconsistency, the English text of this notice shall prevail over the Chinese text.
7. As at the date of this notice, the Board comprises eight directors, of whom (i) two are executive Directors, namely, Mr. SHEN Difan and Mr. WANG Qiang; (ii) three are non-executive Directors, namely Mr. WU Yongming, Mr. WANG Lei and Mr. XU Hong; and (iii) three are independent non-executive Directors, namely Mr. LUO Tong, Mr. WONG King On, Samuel and Ms. HUANG Yi Fei (Vanessa).