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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
阿里健康信息技术有限公司

(Incorporated in Bermuda with limited liability)
(Stock code: 00241)

**NON-EXEMPT CONTINUING CONNECTED TRANSACTION —
SERVICES AGREEMENT
AND
NOTICE OF SPECIAL GENERAL MEETING**

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



A letter from the Independent Board Committee to the Independent Shareholders is set out on page 15 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 16 to 26 of this circular.

A notice convening the SGM to be held at Regus Conference Centre, 35/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, September 12, 2016 at 10:30 a.m. is set out on pages 31 to 32 of this circular. A form of proxy for use at the SGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.irasia.com/listco/hk/alihealth>).

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

August 26, 2016

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DEFINITIONS

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

“Alibaba Group”	a group of companies comprising Alibaba Holding and its subsidiaries, but, for the purpose of this circular, excluding the Group
“Alibaba Health Technology (Beijing)”	Alibaba Health Technology (Beijing) Company Limited* (阿里健康科技(北京)有限公司), a limited liability company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company
“Alibaba Holding”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands, the ultimate controlling shareholder of the Company, and the American depository shares of which are listed on the New York Stock Exchange
“Board”	the board of the Directors
“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)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Control”	the power or authority, whether exercised or not, to direct the business, management and policies of a person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, which power or authority shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of more than fifty per cent (50%) of the votes entitled to be cast at a meeting of the members or shareholders of such person or power to control the composition of a majority of the board of directors (or similar governing body) of such person and the term “Controlled” shall be construed accordingly
“Director(s)”	director(s) of the Company
“Effective Date”	the effective date of the Services Agreement, being the day following the date of the approval of the Services Agreement and continuing connected transactions contemplated thereunder by the Independent Shareholders at the SGM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising Mr. YAN Xuan, Mr. LUO Tong and Mr. WONG King On, Samuel, being the independent non-executive Directors, established to advise the Independent Shareholders on the Services Agreement and the continuing connected transactions contemplated thereunder

DEFINITIONS

“Independent Financial Adviser” or “Somerley Capital”	Somerley Capital 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 Services Agreement and the continuing connected transactions contemplated thereunder
“Independent Shareholders”	the Shareholders of the Company, other than (i) Alibaba Holding and its associates, including Perfect Advance Holding Limited; and (ii) those who are required to abstain from voting at the SGM to be convened to approve the Services Agreement and the continuing connected transactions contemplated thereunder
“Latest Practicable Date”	August 24, 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Merchant”	a legal entity which conducts sale of products or provision of services on Tmall
“mobile MAUs”	in a given month are to the number of unique mobile devices that were used to visit or access certain of our mobile applications at least once during that month
“Perfect Advance”	Perfect Advance Holding Limited, a company incorporated in the BVI and an indirect non-wholly owned subsidiary of Alibaba Holding
“PRC” or “China”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region and Taiwan
“Relevant Categories”	certain product categories or services offered in the Tmall Pharmaceutical and Healthcare e-Commerce Business, namely over-the-counter drugs, refined Chinese medicines such as Chinese medicinal drinks, medical devices such as blood pressure monitors and glucose meters, contact lenses and solutions, sexual health and family planning products such as condoms and sex toys, prescription drugs and medical services such as packages for dental services, health check-up services, nutritional management and genetic testing etc., which, for the avoidance of doubt, excludes all categories of products or services sold on or through Tmall International
“Services Agreement”	the agreement entered into on August 24, 2016 between Alibaba Health Technology (Beijing) and the Tmall Entities, pursuant to which Alibaba Health Technology (Beijing) will be engaged to provide certain outsourced and value-added services in connection with the Relevant Categories for a fee
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time

DEFINITIONS

“SGM”	the special general meeting of the Company to be convened for the Independent Shareholders to consider, and vote on the Services Agreement and the continuing connected transactions contemplated thereunder
“Shareholder(s)”	holder(s) of the Share(s)
“Shares”	ordinary shares of par value HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the same meaning given to it under the Listing Rules
“Tmall”	a third party online platform for brands and retailers operated by Alibaba Group under the domain names including Tmall.com (or such other URLs as may be used by Tmall, including but not limited to URLs used for internet on personal computers or mobile devices, as amended from time to time based on the business needs of Tmall), which, for the purpose of the Services Agreement, excludes Tmall International
“Tmall Entities”	Tmall Technology and Tmall Network, collectively
“Tmall International”	the third party online transaction platform for brands and retailers operated by Alibaba Group under the domain name Tmall.hk (or such other URLs as may be used by Tmall International, including but not limited to URLs used for internet on personal computers or mobile devices, as amended from time to time based on the business needs of Tmall International)
“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 Pharmaceutical and Healthcare e-Commerce Business”	the pharmaceutical and healthcare products and services e-commerce business of 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 non-wholly-owned subsidiary of Alibaba Holding
“Type C License”	an Internet Drug Transaction Service Qualification Certificate (Type C) (互聯網藥品交易服務資格證書), which entitles the holder to sell over-the-counter drugs, medical devices, contact lenses and certain sexual health products online, as listed in relevant regulations
“%”	per cent

* English name for identification purpose only.

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 Director:

Mr. WANG Lei (*Chief Executive Officer*)

Non-executive Directors:

Mr. WU Yongming (*Chairman*)

Mr. TSAI Chung, Joseph

Ms. HUANG Aizhu

Mr. KANG Kai

Independent Non-executive Directors:

Mr. YAN Xuan

Mr. LUO Tong

Mr. WONG King On, Samuel

Registered Office:

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

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

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

August 26, 2016

To the Shareholders

Dear Sir/Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTION — SERVICES AGREEMENT

1. INTRODUCTION

We refer to the announcements of the Company dated April 1 and August 24, 2016, in which the Company announced, among other things, that on April 1, 2016, Alibaba Health Technology (Beijing), an indirect wholly owned subsidiary of the Company, and the Tmall Entities, members of Alibaba Group, have entered into a services agreement pursuant to which the Group shall provide certain outsourced and value-added services in relation to the Relevant Categories in accordance with the terms and conditions thereof. The services agreement was subsequently terminated and the Services Agreement was entered into by the same parties in relation to the same services on August 24, 2016. Further details of the Services Agreement are set out below.

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

LETTER FROM THE BOARD

2. NON-EXEMPT CONTINUING CONNECTED TRANSACTION — SERVICES AGREEMENT

2.1 Principal terms of the Services Agreement

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

(a) *Date*

August 24, 2016

(b) *Parties*

(1) The Tmall Entities

(2) Alibaba Health Technology (Beijing)

(c) *Term and termination*

Subject to approval by the Independent Shareholders at the SGM, the term of the Services Agreement will commence from the Effective Date and end on March 31, 2017, unless otherwise terminated in accordance with the terms of the Services Agreement. The Company will decide on the renewal of the Services Agreement prior to March 31, 2017.

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

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

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

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

Both Alibaba Health Technology (Beijing) and the Tmall Entities shall also have the right to terminate the Services Agreement by giving the other party/parties a written notice of no less than 90 days.

LETTER FROM THE BOARD

(d) Services to be provided

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

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

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

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As part of its strategy to maximize the service fees it derives from the provision of services under the Services Agreement, the Group currently expects, for the financial year ending March 31, 2017, to spend between approximately RMB25 million to approximately RMB30 million to hire additional personnel, further upgrade its IT systems and conduct marketing and promotion activities to enhance the services it provides for the Tmall Pharmaceutical and Healthcare e-Commerce Business.

(e) Service fee, annual cap and historical transactions

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

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

The proposed annual cap in respect of the service fee payable to the Group during the term of the Services Agreement is RMB60 million.

The proposed monetary cap for the applicable period was arrived at after considering the historical unaudited revenue of Tmall attributable to the Relevant Categories for recent financial years, projected revenue of Tmall for the Relevant Categories, and the Company's own projections for the Relevant Categories based on projections for the growth of the overall healthcare market in China and the Company's marketing plans.

As the transactions contemplated under the Services Agreement represent new transactions with the Tmall Entities, no historical transaction amounts are available for disclosure purposes.

(f) Internal controls relating to the implementation of the Services Agreement

The quarterly payment of the service fees by the Tmall Entities will provide frequent and accurate updates on the usage of the proposed monetary cap. The Tmall Entities and the Company will mutually confirm the service fee relating to the Relevant Categories sold on or offered on Tmall accrued for each relevant month on the first business day of the following month.

The Company's operating team will have day-to-day interaction with Tmall merchants and will be able to closely monitor applicable GMV on a weekly basis.

The Company will adopt a written policy to monitor compliance with the monetary cap, which will set out the proper steps for escalating information regarding the usage of the proposed annual cap 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 Services Agreement includes a customary provision pursuant to which the Tmall Entities agree to allow the Company and its auditors access to information necessary to report on the non-exempt continuing connected transaction.

LETTER FROM THE BOARD

2.2 Significance of the Services Agreement on the Company's results of operations and future business

The Company continues to be in a developmental stage and is investing heavily in new businesses — resulting in increased operating expenses to develop and support new businesses.

The Services Agreement is not expected to be the only contributor to the Company's results of operations and it will not be the sole or primary source of growth. For example, the Company has developed a new tracking platform which the Company expects to generate significant revenue once it has gained sufficient scale. As disclosed in the Company's announcements dated July 6, 2016 and August 16, 2016, the Group also recently completed the acquisition of a retail pharmacy chain which holds a Type C License to engage in the online retail pharmaceutical business to provide more products and services to end consumers. The Company also expects such business to contribute to the Company's revenue.

The Company estimates that the revenue derived from the transaction contemplated under the Services Agreement will be less than 50% of the total revenue of the Company for the financial year ending March 31, 2017.

The Services Agreement, taking into account the expenses to hire additional personnel, further upgrade its IT systems and conduct marketing and promotion activities, is expected to generate a small profit at this early developmental stage of the business. The Services Agreement will not be the only positive contributor to the Company's results of operations or the sole or primary source of growth.

2.3 Information about the Company and Alibaba Health Technology (Beijing)

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 an integrated healthcare information and content service provider. The principal activities of the Group comprise the operation of product identification, authentication and tracking systems principally for the drug industry in the PRC, the construction of a medical services network and pharmaceutical e-commerce business.

Alibaba Health Technology (Beijing) is a limited liability company incorporated in the PRC. It is an indirect wholly owned subsidiary of the Company that engages primarily in computing technology development, technology consultancy and services, and marketing and business development for the Group's business operations.

2.4 Recent regulatory developments affecting the existing businesses of the Company

The Company notes the Decision of the China Food and Drug Administration Regarding Amendment of the Good Supply Practice for Pharmaceutical Products (CFDA Order No. 28) (《國家食品藥品監督管理總局關於修改〈藥品經營質量管理規範〉的決定》(國家食品藥品監督管理總局令第28號) (the "Order No. 28"), which was published by the CFDA on July 20, 2016, pursuant to which the CFDA has announced certain amendments to the Good Supply Practice for Pharmaceutical Products (《藥品經營質量管理規範》) (the "Pharmaceutical GSP").

The Company understands that the Order No. 28 means that the use of the Drug PIATS by drug trading enterprises will no longer be mandatory though the CFDA continues to require such enterprises to be responsible for managing tracking for their products.

As disclosed in the Company's announcement of final results for the financial year ended March 31, 2016 dated June 22, 2016 and its annual report 2016 despatched on July 19, 2016, even though the Company has continued the Drug PIATS operations under the CFDA's direction since the Announcement Regarding the Temporary Halt in Enforcement of the Announcement No. 1 of 2015 Regarding Relevant Rules on the Drug PIATS (Announcement No. 40 of 2016) (《關於暫停執行2015年1號公告藥品電子監管有關規定的公告》(2016年第40號)) published by the CFDA, the Group has also already begun to develop new market-based tracking solutions to assist enterprises to fulfil their regulatory compliance needs. The Group

LETTER FROM THE BOARD

recently launched its “碼上放心” (*Ma Shang Fang Xin*) tracking platform which will offer tracking services to enterprises for the full life cycle of their products.

Despite the Drug PIATS previously having been mandatory, the previous business model of the Drug PIATS had required significant investment at the outset, without substantial continuous revenues to be collected in future years. Under the previous business model of the Drug PIATS, other than the deferred revenue that will mainly be recognized for the financial year ending March 31, 2017, minimal new revenues would be generated for the Drug PIATS business in future years given that a large proportion of previous revenues generated related to one-off fees paid by certain users.

The Company believes that as the CFDA has emphasized that enterprises will have primary responsibility for the tracking of drugs, the demand for tracking services will continue to be significant. The Group recently launched its “碼上放心” (*Ma Shang Fang Xin*) tracking platform under an updated and more commercially sustainable business model (providing the Company with greater flexibility to set prices for different services demanded by different customers) which it believes will be able to further develop the societal value of tracking systems. Given that the Company has accumulated a wealth of experience and expertise in its previous operation of the Drug PIATS, it believes that it has an advantage in operating in the market.

Furthermore, being able to directly contract with market participants to provide them with customized and value-added tracking solutions will give the Group more flexibility in providing additional services and pricing strategies. The Company is also seeking to expand the application of the tracking platform beyond drugs to other products.

At the same time, the Company has also been actively developing its other principal businesses such as its pharmaceutical e-commerce business, including recently completing an acquisition of a retail pharmacy chain with an online pharmacy license, and the construction of a medical services network to diversify its revenue sources.

Therefore, taking into account all the above factors, the Company expects that the Order No. 28 will not have a significant impact on the Company's business revenue as a whole and will not result in a material adverse impact on the Company's revenue, business and results of operations going forward.

2.5 Recent regulatory developments affecting the underlying business of the Tmall Pharmaceutical and Healthcare e-Commerce Business

As previously disclosed in the Company's announcement dated April 1, 2016, China is undergoing medical and healthcare reforms and while these reforms are underway, there are currently substantial regulatory uncertainties in relation to the medical and healthcare industry in the PRC. For example, (a) the PRC government is currently completing the rule-making process in respect of the Measures for the Supervision and Administration of Internet Food and Drug Business Operation (《互聯網食品藥品經營監督管理辦法》), which may materially affect, among other things, the licensing through permits related to the provision of drugs online, including through third party B2C platforms, and (b) as disclosed in the Company's announcement dated July 21, 2016, the CFDA published the Order No. 28 on July 20, 2016, pursuant to which the CFDA has announced certain amendments to the Pharmaceutical GSP.

In respect of the regulatory uncertainties regarding licensing through third party B2C platforms, Alibaba Group has been adjusting its business under the direction and guidance of the relevant authorities and has asked merchants to stop selling drug products on its 95095 platform on May 27, 2016. The Company understands that the restriction by the relevant authorities does not apply to non-drug products and merchants are free to sell the other products and services in the Relevant Categories. It has considered the current restriction in deciding to continue with the Services Agreement for the following reasons:

- (i) the scope of the products being restricted to be sold, being drug products, represent only a relatively small portion of the Relevant Categories, while the scope of the other products being sold on Tmall in the Relevant Categories constitute the large majority of products in the Relevant Categories;

LETTER FROM THE BOARD

- (ii) if and when the restriction is lifted by the relevant authorities or an alternative solution is found for the sale of drug products on Tmall's platform, the Company will be able to benefit from the sales of such products which also requires specialized knowledge and expertise; and
- (iii) the Company believes that its healthcare focus and experience will assist Tmall to explore solutions for the sales of such drug products under the direction and guidance of the relevant authorities.

2.6 Information about “碼上放心” (*Ma Shang Fang Xin*) tracking platform

The Company is gradually ceasing its operation of the existing mandatory system in accordance with the CFDA's announcements. Given that the CFDA still requires enterprises to be responsible for ensuring that their products can be tracked, existing customers of the Drug PIATS may either elect to use a third party tracking platform or set up their own tracking systems which will require significant investment. The Company has already launched its new tracking system and has been encouraging existing users of the Drug PIATS to transition to its new tracking platform, which is compatible with, and does not require changes to, the coding and tracking systems that the customers currently use. At this time, over 140 customers have already signed service agreements with the Company to use the new tracking platform. Based on preliminary discussions with existing pharmaceutical manufacturers who were users of the Drug PIATS and the Company's experience in the business, the Company currently expects that over half of the existing pharmaceutical manufacturers will choose to use the Company's new tracking platform.

Under the Drug PIATS, pharmaceutical manufacturers, distributors, retailers, and medical and healthcare institutions are granted access to the Drug PIATS platform through the use of individualized security keys. The Company charged each of pharmaceutical manufacturers and distributors an annual service fee at RMB300 and each of retailers and medical and healthcare institutions a one-off access fee of RMB300 per security key.

Under the “碼上放心” (*Ma Shang Fang Xin*) tracking platform, the Company allows its customers to assign tracking codes to their products, store the tracking codes on the platform and have access to the tracking codes database. The Company currently charges each customer technical service fees based on the storage volume of the tracking codes used by such customer, though there is an annual cap for such fees. Each customer is provided with one free security key for access to the platform and is required to pay separately for additional keys and other value-added services.

The technical service fees based on the storage volume of the tracking codes used by the customers will be calculated and recognized as revenue on a monthly basis. Revenue from security keys will be recognized when the security keys are delivered. Revenue from other add-on services will be recognized over the service period.

Under the previous business model of the Drug PIATS, the Company did not have the flexibility and freedom to set the prices for the services which it provided under the Drug PIATS. As mentioned above, minimal new revenues would be generated for the Drug PIATS business in future years given that a large proportion of previous revenues generated related to one-off fees paid by certain users. Under the new tracking platform, the Company has pricing flexibility and will be able to develop a more commercially sustainable business model through working with its customers to provide customized services and adopting pricing strategies based on the development of the market. Although on the whole, the Company may have fewer customers from the drug industry for its new tracking service than it used to for the Drug PIATS when it was mandatory, the Company expects that it will receive more unit revenue contribution from each customer. In addition, the Company is also seeking to further expand the application of the tracking system beyond drugs to other products.

2.7 Information about the Tmall Entities

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 principally engaged in the operation of Tmall.

LETTER FROM THE BOARD

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 non-wholly-owned subsidiary of Alibaba Holding, which is principally engaged in the provision of software and technology services for Tmall.

Tmall was launched by Alibaba Group in 2008 as an online platform featuring brands and retailers with each seller having a uniquely identifiable online storefront. Tmall caters to online and mobile consumers looking for branded products and a premium shopping experience. It is a trusted platform for consumers to buy both homegrown and international branded products and products that are not available in traditional retail outlets. Brands and retailers operate their own stores on the Tmall platform with unique brand identities and look and feel, accompanied by full control over their own branding and merchandising. A large number of international and Chinese brands and retailers have established storefronts on Tmall. As of March 31, 2016, there were over 100,000 brands on Tmall.

The Group believes that China's online shopping industry will benefit from the increase in online shoppers, which in turn is driven by continued growth in the number of Internet users as well as by the higher percentage of Internet users purchases online. At the end of 2015, 413 million Chinese Internet users have experienced online shopping in 2015, out of a total of 688 million Internet users.

Alibaba Group operates Taobao Marketplace, China's largest mobile commerce destination, and Tmall, China's largest B2C platform in China in terms of monthly active users in 2015. Alibaba Group also operates Juhuasuan, which is a sales and marketing platform for flash sales where merchants can acquire new customers and raise brand awareness through special discounts and promotional events. Taobao, Tmall and Juhuasuan, which comprise Alibaba Group's China retail marketplaces, generated a combined GMV of RMB3,092 billion in the twelve months ended March 31, 2016, of which GMV transacted on Tmall accounted for RMB1,215 billion. There were 407 million and 423 million active buyers on these marketplaces in the twelve months ended December 31, 2015 and March 31, 2016, respectively. In the three months ended March 31, 2016, mobile GMV accounted for 73% of Alibaba Group's GMV. In March 2016, the various mobile apps that consumers use to access Alibaba Group's China retail marketplaces had 410 million mobile MAUs.

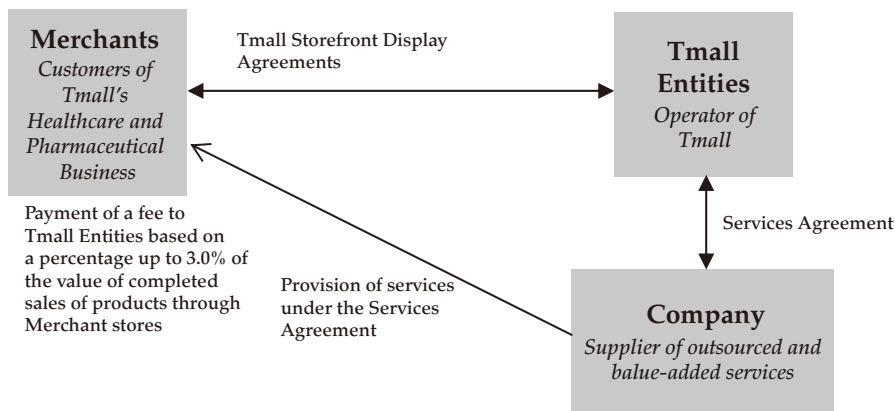
2.8 Information about the Tmall Pharmaceutical and Healthcare e-Commerce Business

The Tmall Pharmaceutical and Healthcare e-Commerce Business was established in 2012 and has been operating as a line of business within Tmall. Merchants who sell pharmaceutical and healthcare products and services sign up with Tmall and generally pay the Tmall Entities a fee (this fee is based on a percentage up to 3.0% of the value of completed sales of products through Merchant stores).

The customers of the Tmall's Healthcare and Pharmaceutical Business are Merchants. Tmall serves a customer base comprising more than 2,000 Merchants (with which Tmall has direct legal relationships) in relation to the Relevant Categories.

LETTER FROM THE BOARD

Set out below is a diagram illustrating the proposed relationship of Tmall, Merchants and the Company in respect of the services to be provided by the Group in relation to the Relevant Categories as contemplated under the Services Agreement.



As far as the Directors are aware, there have been no changes in the general economic and market conditions in China that materially and adversely affected the operations of Tmall's Healthcare and Pharmaceutical e-Commerce Business in relation to the Relevant Categories since March 31, 2016 and up to the Latest Practicable Date.

2.9 Information about Alibaba Holding and Alibaba Group

Alibaba Holding is the ultimate majority shareholder of Tmall Technology and the Company, and Controls Tmall Network. The Tmall Entities are members of Alibaba Group. Accordingly, the Tmall Entities are also connected persons of the Group. It is expected that the highest of the applicable percentage ratios in respect of the Services Agreement will be more than 5%. Accordingly, the transactions contemplated under the Services Agreement will constitute continuing connected transactions for the Company in accordance with the Listing Rules.

Alibaba Holding is a company incorporated in the Cayman Islands and its American depositary shares are listed on the New York Stock Exchange. Alibaba Group's mission is to make it easy to do business anywhere. It is the largest online and mobile commerce company in the world in terms of gross merchandise volume. Founded in 1999, Alibaba Group provides the fundamental technology infrastructure and marketing reach to help businesses leverage the power of the Internet to establish an online presence and conduct commerce with hundreds of millions of consumers and other businesses.

2.10 Reasons for and benefits of the Services Agreement

The Services Agreement provides an opportunity for the Group to further develop expertise in the pharmaceutical e-commerce area in the PRC. At the same time, the Tmall Entities will benefit from the focused healthcare expertise of the Company in the operation of the Tmall Pharmaceutical and Healthcare e-Commerce Business in relation to the Relevant Categories, rather than operations under a substantially larger scale general merchandise platform. With operational focus and expertise, the Company believes it will achieve higher growth of the Relevant Categories under the Tmall Pharmaceutical and Healthcare e-Commerce Business from which both the Company and the Tmall Entities will ultimately benefit.

Through the Services Agreement, the Group believes that it will develop as an integrated service provider to the Tmall Entities and develop further capabilities to provide similar services to more participants in China's healthcare industry. The Services Agreement will provide the Group with a new revenue stream from the growth of the Relevant Categories under the Tmall Pharmaceutical and Healthcare e-Commerce Business.

LETTER FROM THE BOARD

China's healthcare market has a long and highly fragmented supply chain of healthcare products. Certain parts of the PRC still lack a strong presence of retail pharmacies, and healthcare e-commerce generally is still in the early stages of its adoption. The Company believes that the current state of China's healthcare market provides significant opportunities for technology and solution developers such as the Group and the Tmall Entities, and that the Services Agreement can help accelerate changes in how healthcare products and services are delivered in China by supporting the growth of the Tmall Pharmaceutical and Healthcare e-Commerce business.

In view of the above, the Directors (including the Independent non-executive Directors) are of the view that the Services Agreement is entered into in the ordinary and usual course of business of the Group and is on normal commercial terms and its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2.11 Listing Rule implications

Save for Mr. WU Yongming, Ms. HUANG Aizhu and Mr. KANG Kai, being Directors appointed by Alibaba Holding, and Mr. WANG Lei, who is a consultant to Alibaba Group, and in attendance of the Board meeting, who have abstained from voting on the Board resolutions in respect of the Services Agreement, none of the Directors was prohibited by the bye-laws of the Company or the Listing Rules from voting and all Directors were entitled to vote and be counted towards the quorum for passing these Board resolutions.

Alibaba Holding is the ultimate majority shareholder of Tmall Technology and the Company, and Controls Tmall Network. The Tmall Entities are members of Alibaba Group. Accordingly, the Tmall Entities are also connected persons of the Group. It is expected that the highest of the applicable percentage ratios in respect of the Services Agreement will be more than 5%.

Accordingly, the transactions contemplated under the Services Agreement will constitute non-exempt continuing connected transactions and are subject to the applicable requirements under the Listing Rules, including the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The SGM will be convened by the Company at which an ordinary resolution will be proposed to seek approval from the Independent Shareholders by way of poll for the Services Agreement and the continuing connected transactions contemplated thereunder. Perfect Advance which holds a total of 4,420,628,008 Shares, representing approximately 54.03% of the issued share capital of the Company, and its associates shall abstain from voting at the SGM. Save as disclosed above, no other Shareholder is required to abstain from voting on the resolution approving the Services Agreement and the continuing connected transactions contemplated thereunder.

2.12 Independent Board Committee and Independent Financial Adviser

The Company has established an Independent Board Committee comprising all the independent non-executive Directors to advise the Independent Shareholders in connection with the approval for the Services Agreement and the continuing connected transactions contemplated thereunder. Somerley Capital 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 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 resolution to be proposed at the SGM.

The letter from the Independent Board Committee to the Independent Shareholders is set out on page 15 of this circular. The letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 26 of this circular.

LETTER FROM THE BOARD

3. RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the proposed resolution 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 resolution.

4. GENERAL

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

5. SGM AND PROXY ARRANGEMENT

The notice of the SGM is set out on pages 31 to 32 of this circular. At the SGM, resolution will be proposed to approve the Services Agreement and the continuing 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 resolution 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 such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.irasia.com/listco/hk/alihealth>). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited at the Company's head office and principal place of business in Hong Kong at 26/F Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the SGM if you so wish.

By Order of the Board
WANG Lei
Chief Executive Officer and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

August 26, 2016

To the Independent Shareholders

Dear Sir or Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTION — SERVICES AGREEMENT

We refer to the circular of the Company dated August 26, 2016 (the *Circular*) 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 Services Agreement and the continuing connected transactions contemplated thereunder; whether the terms of the 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 resolution regarding the Services Agreement and the continuing connected transactions contemplated thereunder, taking into account the recommendations from the Independent Financial Adviser.

Somerley Capital 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 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 resolution.

Your attention is drawn to:

- (a) the letter from the Board set out on pages 4 to 14 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 16 to 26 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 Somerley Capital, we are of the view that the terms of the Services Agreement 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 resolution 1 in relation to the Services Agreement and the continuing connected transactions to be presented at the SGM.

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

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

26 August 2016

*To: the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

NON-EXEMPT CONTINUING CONNECTED TRANSACTION — SERVICES AGREEMENT

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the Services Agreement and the transactions contemplated under (the “**Continuing Connected Transactions**”) together with the proposed cap. Details of the Services Agreement and the Continuing Connected Transactions are set out in the circular of the Company dated 26 August 2016 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meaning as those defined in the Circular.

On 1 April 2016, Alibaba Health Technology (Beijing), an indirect wholly-owned subsidiary of the Company, entered into a services agreement with the Tmall Entities, members of the Alibaba Group, regarding the provision of certain outsourced and value-added services in relation to the Relevant Categories in accordance with the terms and conditions thereof. The services agreement was subsequently terminated and the Services Agreement was entered into by the same parties on 24 August 2016. Alibaba Holding is the ultimate majority shareholder of Tmall Technology and the Company, and Controls Tmall Network. The Tmall Entities are members of the Alibaba Group. Accordingly, the Tmall Entities are connected persons of the Group. As a result, the transactions contemplated under the Services Agreement constitute continuing connected transactions for the Company. As the highest of the percentage ratios in respect of the Services Agreement will be more than 5%, the transactions contemplated under the Services Agreement are subject to the reporting, announcement and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. YAN Xuan, Mr. LUO Tong and Mr. WONG King On, Samuel, has been established to advise the Independent Shareholders in respect of the Continuing Connected Transactions and on how they should vote at the SGM. We, Somerley Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

In formulating our advice, we have reviewed, among other things, the Services Agreement, the budget and planning of the Group in respect of the provision of the services contemplated under the Services Agreement, the annual reports of the Company for the financial years ended 31 March 2015 (the “**2015 Annual Report**”) and 31 March 2016 (the “**2016 Annual Report**”), and the information contained in the Circular. We have relied on the information and facts supplied, and the opinions expressed, by the Directors and the management of the Group, and have assumed that they are true, accurate and complete in all material aspects at the time they were made and will remain so up to the time of the SGM. We have also sought and received confirmation from the Directors, that all material relevant information has been supplied to us and that no material facts have been omitted or withheld from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material

LETTER FROM INDEPENDENT FINANCIAL ADVISER

information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our opinion and recommendation as set out in this letter. However, we have not conducted any independent investigation into the business and affairs of the Group and the Tmall Entities.

As at the Latest Practicable Date, Somerley Capital Limited does not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Somerley Capital Limited. In the last two years, except for independent financial adviser engagements (in relation to (i) the proposed grant of restricted share units to a director of a subsidiary of the Company, details of which were set out in the circular of the Company dated 22 May 2015; (ii) the very substantial acquisition, connected transaction and reverse takeover for the Company, details of which were set out in the announcement of the Company dated 15 April 2015; (iii) the conditional grant of restricted share units to connected persons of the Company, details of which were set out in the circular of the Company dated 20 October 2015; and (iv) the connected transaction relating to the formation of a joint venture, details of which were set out in the announcement of the Company dated 21 April 2016), there has been no other engagement between the Group and Somerley Capital Limited. We do not consider that the past and existing engagements as independent financial adviser give rise to any conflict for Somerley Capital Limited acting as the independent financial adviser in respect of the Continuing Connected Transactions. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangement exists whereby we will receive any fees or benefits from the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the following principal factors and reasons:

1. **Background of the Group, the Tmall Entities and the Tmall Pharmaceutical and Healthcare e-Commerce Business**

The Group is an integrated healthcare information and content service provider, and its principal activities comprise the operation of product identification, authentication and tracking systems principally for the drug industry in the PRC (the “Drug PIATS”), the construction of a medical services network and pharmaceutical e-commerce business.

Alibaba Health Technology (Beijing) is an indirectly wholly-owned subsidiary of the Company that engages primarily in computing technology consultancy and services, and marketing and business development for the Group’s business operations.

Tmall Network is a company incorporated under the laws of the PRC and ultimately Controlled by Alibaba Holding, which is principally engaged in the operation of Tmall. Tmall Technology is a company incorporated under the laws of the PRC and an indirect non-wholly-owned subsidiary of Alibaba Holding, which is principally engaged in the provision of software and technology services for Tmall.

Tmall was launched by Alibaba Group in 2008 as an online platform featuring brands and retailers with each seller having a uniquely identifiable online storefront. Tmall caters to consumers looking for branded products and a premium shopping experience. It is positioned as a trusted platform for consumers to buy both home-grown and international branded products and products that are not available in traditional retail outlets. Brands and retailers operate their own stores on the Tmall platform with their own designs, accompanied by full control over their own branding and merchandising. As of 31 March 2016, there were over 100,000 brands on Tmall.

The Tmall Pharmaceutical and Healthcare e-Commerce Business was established in 2012 and has been operating as a line of business within Tmall. Merchants who sell pharmaceutical and healthcare products and services sign up with Tmall and generally pay the Tmall Entities a fee (this fee is typically up to 3.0% of the value of completed sales of products through Merchant stores). The customers of Tmall’s Healthcare and Pharmaceutical Business are Merchants. Tmall serves a customer base comprising more than 2,000 Merchants in relation to the Relevant Categories.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

2. Reasons for and benefits of the Services Agreement

As set out in the “Letter from the Board” contained in the Circular, the Services Agreement provides an opportunity for the Group to further develop expertise in the pharmaceutical e-commerce area in the PRC. At the same time, the Tmall Entities will benefit from the focused healthcare expertise of the Group in the operation of the Tmall Pharmaceutical and Healthcare e-Commerce Business, rather than have such business operated under a substantially larger scale general merchandise platform. With operational focus and expertise, the Company believes it will help to achieve further growth of the Tmall Pharmaceutical and Healthcare e-Commerce Business from which both the Company and the Tmall Entities will ultimately benefit.

The Company is a specialised service provider focused on the healthcare sector. With its specific industry experience, the Company can build a repository of specialised content for consumers and provide more comprehensive healthcare solutions and integrated services to consumers/users.

According to the 2015 Annual Report and the 2016 Annual Report, the financial performance of the existing businesses of the Group has been deteriorating in the past three financial years with the loss attributable to the owners of the Company having widened from approximately RMB27.7 million for the year ended 31 March 2014 to approximately RMB81.2 million for the year ended 31 March 2015. For the year ended 31 March 2016, the Group’s loss attributable to the owners of the Company widened to approximately RMB191.6 million. The deteriorating financial performance was mainly attributable to (i) the increase of the operating expenses including sales and marketing expenses, administrative expenses and the product development expenses; and partially offset by (ii) the increase of gross profits, and the share of profits of a joint venture and an associate of the Company. As disclosed in the 2016 Annual Report, the Group is continuing to expand its businesses to consolidate its role as the healthcare flagship of Alibaba Group.

Through the Services Agreement, the Group believes that it will develop as an integrated service provider to the Tmall Entities and develop further capabilities to provide similar services to participants in China’s healthcare industry. The Services Agreement will provide the Group with a new revenue stream from the growth of the Tmall Pharmaceutical and Healthcare e-Commerce Business.

China’s healthcare market has a long and highly fragmented supply chain of healthcare products. Certain parts of the PRC still lack a strong presence of retail pharmacies, and healthcare e-commerce is still in the early stage of adoption. Improvement can be seen through continuous investment in logistics infrastructure of the distribution system and the application of information technology. This allows distributors to offer personalised and differentiated services and to increase value-added services, for example, through a bar code system for product identification to ensure product quality and safety and strategic cooperation between online platforms and retail outlets to improve efficiency in distribution. Online retail business can shorten the distribution supply chain and reduce the mark-up on price of products. Along with the increasing acceptance of e-commerce transactions, there is a rapid development of online trading platforms, enabling lower operation costs and higher reliability and efficiency in trading of healthcare and pharmaceutical products. Therefore, the Company believes that the current state of China’s healthcare market provides significant opportunities for technology and solution developers such as the Group and online platform providers such as the Tmall Entities, and that the Services Agreement can help to accelerate changes in how healthcare products and services are delivered in China by supporting the growth of the Tmall Pharmaceutical and Healthcare e-Commerce Business.

As mentioned before, the Group has made losses for the years ended 31 March 2014, 2015 and 2016. The Drug PIATS business is subject to uncertainties due to the recent regulatory changes in relation to the temporarily halt of the relevant rules in the PRC under the Announcement No. 1 of 2015 Regarding Full Implementation of the Drug PIATS by Drug Manufacturing Enterprises and Related Matters issued by the China Food and Drug Administration (《關於藥品生產經營企業全面實施藥品電子監管有關事宜的公告》(2015年第1號)) as disclosed in the announcement of the Company dated 21 February 2016.

As announced by the Company on 1 April 2016, China is undergoing medical and healthcare reforms and while these reforms are underway, there are currently substantial regulatory uncertainties in relation to the medical and healthcare industry in the PRC. For example, (a) the PRC government is currently completing the rule-making process in respect of the Measures for the

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Supervision and Administration of Internet Food and Drug Business Operation (《互聯網食品藥品經營監督管理辦法》), which may materially affect, among other things, the licensing through permits related to the provision of drugs online, including through third party B2C platforms; and (b) as disclosed in the Company's announcement dated 21 July 2016, the Order No.28 (國家食品藥品監督管理總局令第28號) was published by the CFDA on 20 July 2016, pursuant to which the CFDA has announced certain amendments to the Pharmaceutical GSP (《藥品經營質量管理規範》) including, but not limited to, (i) establish the basic position and requirement to build drug tracking systems; (ii) delete or amend the content relating to the mandatory requirement of scanning the Drug PIATS barcodes and to upload the relevant data; and (iii) delete or amend the content relating to the requirement for enterprises' computer systems to fulfil the implementation conditions of electronic supervision of pharmaceutical products. The Company understands that the use of the Drug PIATS by drug trading enterprises will no longer be mandatory though the CFDA continues to require such enterprises to be responsible for managing tracking for their products. As a result, the Company does not expect to generate further revenue other than deferred revenue from the operation of the Drug PIATS.

It is therefore important for the Group to develop new businesses for additional revenue. We were provided with the budget and planning of the Group in respect of the provision of the services contemplated under the Services Agreement. While such budget and plan should not be treated as indication of the Group's forecast results, it is noted that the Group expects to be able to recover the costs to be incurred in the provision of services during the term of the Services Agreement by charging the Service Fee of 21.5% on the expected revenue of the Tmall Entities from the sales of products and services under the Relevant Categories. As the Service Fee is determined by reference to, among other things, costs expected to be incurred in the provision of the services under the Services Agreement, the Services Agreement may allow the Group to generate profit in the future.

In addition, the services provided under the Services Agreement are within the existing skill set of the Group and, as disclosed in the 2016 Annual Report, the pharmaceutical e-commerce business has been one of the major businesses focuses of the Group.

Therefore, the Services Agreement, being a natural extension and utilisation of the existing expertise of the Group, would enable the Group to build on its existing pharmaceutical e-commerce business as part of its wider strategy.

3. Principal terms of the Services Agreement

Set out below is a summary of principal terms of the Services Agreement. Further details of the Services Agreement are set out in the "Letter from the Board" contained in the Circular.

Date:	24 August 2016
Parties:	Alibaba Health Technology (Beijing) and the Tmall Entities
Term:	Subject to approval by the Independent Shareholders at the SGM and commencing from the Effective Date and ending on 31 March 2017, unless otherwise terminated in accordance with the terms of the Services Agreement
Subject matter:	Alibaba Health Technology (Beijing) agrees to provide the Tmall Entities with the following outsourced and value-added services in relation to the Relevant Categories: (i) Merchants' business development, including tracking market trends and policy updates;

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- (ii) Merchant customer services, including providing helpline support for Merchants on the process of admission to Tmall and general operational questions; assisting Merchants in optimising searches for their products through their product information display, collating and analysing consumer behaviour 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;
- (iii) marketing event planning for Merchants, including planning and organising marketing events for Merchants, organising Merchants to participate in events, designing and building event webpage interfaces, planning customer discount programs and conducting consumer data analysis;
- (iv) technical support, including providing technical support on product information display and store design, transaction completion processes, the use of payment tools, consumer service tools (such as the use of chat windows or complaints forms); and
- (v) assistance to the Tmall Entities' business team with Tmall Entities in respect of: (a) Merchant admissions; (b) Merchants' business operations; (c) Merchant management; and (d) product quality control functions, including assisting with formulating rules that govern Merchants' operation, reviewing documents required for Merchants' admission and formulating and implementing quality control rules and conducting regular inspections.

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

– *Service fee and payment terms*

Pursuant to the Services Agreement, the Tmall Entities shall pay the Group a service fee amounting to 21.5% of the fees paid by the Merchants to the Tmall Entities and/or their respective affiliates in respect of the value of completed sales of products or services under the Relevant Categories on Tmall (the "Service Fee"). The Service Fee will be fixed and may not be adjusted and shall be paid in cash on a quarterly basis.

– *Termination clauses*

Pursuant to the terms of the Services Agreement, the Services Agreement can be terminated by either party to the Services Agreement in the following situations:

- (i) expiry of the terms of the Services Agreement;
- (ii) if any party is ordered or judged to be bankrupt, comes under receivership or enters into any plan or settlement proposal with its creditors or makes any transfer in the interests of its creditors;
- (iii) if the assets of any party are nationalised or requisitioned by any government or government department;
- (iv) if Alibaba Holding directly or indirectly holds less than 30% of the total issued share capital of the Company or ceases to be a "controlling shareholder" (as defined in the Listing Rules) of the Company;
- (v) if the cap is exceeded during the term of the Services Agreement;
- (vi) if there is any dispute on the service fee that is not resolved within 60 days; and

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

Both Alibaba Health Technology (Beijing) and the Tmall Entities shall have the right to terminate the Services Agreement by giving the other party written notice of no less than 90 days.

4. Evaluation of the terms of the Services Agreement

– Service Fee

The Service Fee is determined by reference to, among other things, the operating costs expected to be incurred by the Group in providing the services including staff costs, planned marketing and promotional activities and technical support expenses. As the transactions contemplated under the Services Agreement represent new transactions with the Tmall Entities, no historical transaction amounts are available.

In assessing the reasonableness and fairness of the Service Fee, we have conducted research on Bloomberg on a best efforts basis in respect of listed companies providing comparable services offered by the Company. We were not able to identify any company engaging in the provision of value-added services specifically to e-commerce business in the healthcare industry. We have therefore further expanded our scope and also reviewed listed companies (the “**Comparable Companies**”) which are providing e-commerce solutions and/or marketing services to online merchants (the “**Comparable Services**”), which are considered to be similar in nature to the value-added services to be provided by the Company under the Services Agreement.

The Comparable Companies have been identified based on the following criteria: (i) under the industries of “internet-based services” or “advertising & marketing” as classified by the Bloomberg Industry Classification System; (ii) engaged in e-commerce solutions and/or marketing services to online merchants; and (iii) with country of domicile in the PRC or Hong Kong.

Given that the fees charged by companies are usually commercially confidential and such information would not normally be disclosed to the public, we have only been able to identify the fee of one Comparable Company providing Comparable Services that is available in the public domain (i.e. through the annual reports and announcements) with details below:

Comparable Services

Service company	Counter-party	Nature of services provided	Service fee
SINA Corporation	Leju Holdings Limited	Supporting services offered by SINA Corporation to Leju Holdings Limited to publish advertisements on SINA non-real estate websites	15% of the online advertising revenue generated by Leju Holdings Limited from publishing advertisements on SINA non-real estate websites

Services Agreement

Service company	Counter-party	Nature of services to be provided	Service Fee
The Company	The Tmall Entities	Value-added services under the Relevant Categories offered by the Company	21.5% of the fees paid by the Merchants to the Tmall Entities

As illustrated above, the Service Fee of 21.5% is higher than the fee charged for the Comparable Services of 15%.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Given that there is only one Comparable Company and the scope of services to be provided by the Company under the Services Agreement and the services conducted by the Comparable Company are not identical, we have conducted further analysis on reasonableness and fairness of the Service Fee.

We understand that the online merchants on Alibaba Group's Taobao marketplace may engage third party Taobao partners ("TPs") to help them to manage their storefronts or provide other services for a fee. Such other services include information technology services, data analysis services, design services, and marketing and promotion services.

Given the similar nature of services currently provided by the TPs to the online merchants, to complement our analysis of the Service Fee, we have conducted research, on a best efforts basis, on the service fees currently charged by the TPs using information from the public domain (e.g. Tmall's website).

Based on our research, we noted that many TPs charge a service fee, which is generally calculated based on a percentage point on the gross merchandise volume ("GMV") for transactions completed on the Taobao marketplace. The percentage charged, however, is not disclosed by the TPs.

In light of the above, we expanded our analysis to the profitability (i.e. gross profit margin) of the transactions contemplated under the Services Agreement so as to supplement our analysis of the Service Fee.

Pursuant to the Services Agreement, the Group is expected to receive the projected fee of 21.5% during the term of the Services Agreement (the "**Projected Service Fee**") based on the fee to be paid by the Merchants to the Tmall Entities in respect of the value of completed sales of products or services under the Relevant Categories during the term of the Services Agreement (the "**Projected Tmall Entities' Revenue**").

It is expected that the Group will spend between approximately RMB25 million to RMB30 million to hire additional personnel, further upgrade its information systems and conduct marketing and promotion activities to enhance the services it will provide for the Tmall Pharmaceutical and Healthcare e-Commerce Business during the term of the Services Agreement. Based on the Projected Service Fee and these expected costs, the implied profit margins for conducting this business range from approximately 37.6% to 40.0%. (the "**Implied Profit Margins**")

Based on our research on the Comparable Companies, we have identified two Comparable Companies with profit margin of the Comparable Services available in the public domain (e.g. through the annual reports and announcements) (the "**Comparable Profit Margins**") with details below:

Comparable Companies	Stock code	Nature of services provided (Note 1)	Comparable Profit Margins (Note 2)
1. eCARGO Holdings Limited	ECG:ASX	Development and provision of e-commerce technologies, integrated offline and online supply chain operations, and provision of digital commerce solutions services mainly in the PRC	51.8%
2. BlueFocus Communication Group Co. Ltd	300058:CH	Provision of marketing and brand management services across disciplines of strategy, digital, advertising, media, social, public relationship, design, branding, customer relationship management, data, e-commerce and mobile solutions, to multinational companies and leading Chinese enterprises	27.7%

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Services Agreement	Stock code	Nature of services to be provided	Implied Profit Margin
The Company	241:HK	Value-added services under the Relevant Categories offered by the Company	37.6% to 40.0%

Notes

1. The nature of services provided are extracted from the websites and annual reports for the year ended 31 December 2015 of the respective Comparable Companies.
2. The Comparable Profit Margins are calculated based on the profits divided by the revenues of the Comparable Companies in providing the Comparable Services based on the annual reports of the respective Comparable Companies for the year ended 31 December 2015.

As illustrated above, based on the information disclosed in the latest annual reports of these two Comparable Companies, the profit margins of these two Comparable Companies in providing the Comparable Services range from 27.7% to 51.8%. The Implied Profit Margins are within the range of the Comparable Profit Margins.

Considering (i) the Service Fee of 21.5% is higher than the fee charged by the Comparable Companies for the Comparable Services of 15%; and (ii) the Implied Profit Margins are within the range of the Comparable Profit Margins, we are of the view that, the Service Fee is in line with market practice.

– Payment terms

The Service Fee shall be paid in cash on a quarterly basis. The payment terms were negotiated on an arm's length basis. As advised by the Company, the quarterly basis settlement can enhance administrative efficiency in settlement.

Considering the credit period of 90 days offered by the Group to independent third parties as disclosed in the 2016 Annual Report, we consider that the payment terms of the Services Agreement is no less favourable than those offered to the independent third parties of the Group and is in line with the Group's management policy.

Also, we understand that Alibaba Holding currently engages Alipay.com Co., Ltd. ("**Alipay**") in respect of the provision of online payment services on the marketplaces of Alibaba Holding by paying processing fees to Alipay. According to the commercial agreement between Alipay and Alibaba Holding dated 29 July 2011 (the "**Commercial Agreement**"), the payment of processing fees is made on a calendar quarter basis.

Given that (i) payment/credit terms of the Services Agreement are no less favourable than those offered to the independent third parties of the Group; and (ii) the settlement of payments under the Services Agreement and the Commercial Agreement, which is also related to the provision of services to the online transaction platform, is likewise made on a quarterly basis, we consider the payment terms under the Services Agreement acceptable.

– Termination clauses

Pursuant to the termination clauses of the Services Agreement, both Alibaba Health Technology (Beijing) and the Tmall Entities shall have the right to terminate the Services Agreement by giving other party written notice of no less than 90 days.

As advised by the Company, there are no significant upfront costs and investment costs which are long-term in nature expected to be incurred by the Group in order to perform the Services Agreement. The incremental costs to be incurred by the Company mainly comprise staff costs and marketing and promotional expenses which are relatively flexible and staff may also be readily redeployed to work on the Group's other related businesses. As such, no material financial impact on the Group is expected in terms of costs to be incurred in the event that the Services Agreement is terminated.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

– Conclusion

Given that (i) the Service Fee is higher than that of the Comparable Service Fee and the Implied Profit Margins are within the range of the Comparable Profit Margins; (ii) the payment terms of the Services Agreement are no less favorable than those offered by the Group to independent third parties; and (iii) no material financial impact on the Group is expected in terms of the costs to be incurred in the event that the Services Agreement is terminated, we are of the view that the terms of the Services Agreement are on normal commercial terms, and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

5. The proposed cap

The proposed cap (the “Cap”) for the Service Fee to be received pursuant to the Services Agreement is RMB60 million during the term of the Services Agreement which was determined principally based on (i) the Projected Service Fee; and (ii) a buffer based on a percentage of the Projected Service Fee (the “Buffer”). Furthermore, we understand from the Company that the Cap has taken into consideration the impact of the restricted sales of drug products under the Relevant Categories arising from the uncertainties regarding licensing through third party B2C platform subsequent to the publication of the Measures for the Supervision and Administration of Internet Food and Drug Business Operation (《互聯網食品藥品經營監督管理辦法》) by the CFDA.

The Projected Service Fee has been arrived taking into account (i) the historical unaudited revenue of the Tmall Entities attributable to the Relevant Categories in recent financial years (the “Historical Tmall Entities’ Revenue”); (ii) the Projected Tmall Entities’ Revenue; and (iii) the Service Fee of 21.5%.

To further elaborate, the Projected Tmall Entities’ Revenue has been derived based on the financial results, in particular, the revenue of the Tmall Entities attributable to the Relevant Categories for the year ended 31 March 2016 and the growth rates of the Historical Tmall Entities’ Revenue.

The Projected Service Fee has been computed based on the Projected Tmall Entities’ Revenue with reference to the Service Fee as stipulated under the Services Agreement and the term of the Services Agreement.

The Cap has been arrived based on the Projected Service Fee and the Buffer.

In assessing fairness and reasonableness of the Buffer, we have considered the following factors:

(i) Growth of healthcare expenditure and e-commerce transactions

We have conducted research on recent growth of both healthcare expenditure and e-commerce transactions.

In accordance with the National Bureau of Statistics of China, the per-capita healthcare expenditure in the PRC in 2015 has increased by approximately 27.7% and 13.0% as compared to 2013 and 2014 respectively. With an increasing growth rate, it is expected that the trend of increasing healthcare expenditure will continue.

We also noted that there is an increasing propensity of consumers to shop online, as reflected by the annual growth rate of approximately 59.4% in the total amount of e-commerce transactions in 2014 as compared to 2013, of which sales from third party online platforms accounted for approximately 44.3% of the total.

Given the rapid past growth, it is not easy to assess the future growth rate of healthcare products e-commerce sales. Therefore, in our opinion, it is in the interests of the Group for the Cap to be as accommodating to the Group as possible allowing sufficient buffer to take into account the potential further growth, provided that the terms of the Services Agreement are fair and reasonable, so that the Group would have flexibility in conducting its business.

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(ii) *Expected further growth in sales resulting from specialised operation*

The services provided under the Services Agreement are within the existing skill set of the Group. With the Group's specific industry experience in the healthcare sector, the Group's provision of services under the Services Agreement should promote further growth in product sales under the Relevant Categories subsequent to the Group's involvement under the Services Agreement.

(iii) *Additional safeguards in respect of any breach of the Cap*

If the Cap is set without sufficient room for potential future business growth, it is possible that the Services Agreement would be terminated as a result of the Cap being exceeded. Unlike certain other listed companies conducting non-exempt continuing connected transactions, where exceeding the annual cap may only result in loss of business opportunities and incurring additional administrative costs to obtain approval from their independent shareholders, the Company would no longer be able to conduct the business of providing the services under the Services Agreement as a result of a termination.

Having considered the above, we are of the view that the extent of the Buffer is appropriate.

– *Conclusion*

Having considered the basis of the Projected Service Fee and the reasons for setting the buffer, we are of the view that the Cap is fair and reasonable.

6. Annual review of the Continuing Connected Transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the transactions to be carried out pursuant to the Services Agreement are subject to the following annual review requirements:

- a) each year, the independent non-executive Directors must review the transactions to be carried out pursuant to the Services Agreement and confirm in the annual report whether the transactions to be carried out pursuant to the Services Agreement have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms or better; and
 - (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- b) each year, the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days before the bulk printing of the Company's annual report), confirming whether anything has come to their attention that causes them to believe that the transactions to be carried out pursuant to the Services Agreement:
 - (i) have not been approved by the Board;
 - (ii) were not, in all material aspects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
 - (iii) were not entered into, in all material aspects, in accordance with the relevant agreement governing the transactions to be carried out pursuant to the Services Agreement; and
 - (iv) have exceeded the Cap;
- c) the Company shall allow, and shall ensure that the counterparties to the transactions to be carried out pursuant to the Services Agreement allow, the Company's auditors sufficient access to their records for the purpose of reporting on the transactions to be carried out pursuant to the Services Agreement as set out in paragraph (b). The Board

LETTER FROM INDEPENDENT FINANCIAL ADVISER

must state in the annual report whether the Company's auditors have confirmed the matters stated in Listing Rule 14A.56; and

- d) the Company shall promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or the auditors of the Company cannot confirm the matters set out in paragraphs (a) and/or (b) respectively.

In addition to the annual review by the auditors and independent non-executive directors of the Company as mentioned above, the Group will further adopt certain internal control procedures (with details disclosed in the sub-section headed "Internal control relating to the implementation of the Services Agreement" in the "Letter from the Board" contained in the Circular) to ensure that the Continuing Connected Transactions are conducted in accordance with the terms of the Services Agreement.

In light of the reporting requirements for the transactions to be carried out pursuant to the Services Agreement, in particular, (a) the restriction of the values of the transactions to be carried out pursuant to the Services Agreement by way of the Cap; and (b) the requirement under the Listing Rules for ongoing review by the independent non-executive directors and the auditors of the Company of the terms of the transactions to be carried out pursuant to the Services Agreement and the Cap; and additional internal control procedures, we are of the view that there exist appropriate measures to govern the conduct of the transactions to be carried out pursuant to the Services Agreement and to safeguard the interests of the Independent Shareholders.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors, we consider that the transactions contemplated under the Services Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. We also consider that the terms of the Services Agreement and the Cap are fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the SGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
David Ching
Director

Mr. David Ching is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over ten years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS' INTERESTS OR SHORT POSITIONS IN EQUITY SECURITIES

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

Long Position in Shares

Name of Director	Nature of interest	Total interest in Shares	% of the existing issued Shares
Mr. WANG Lei	Equity derivative interest ^(Note)	10,296,000	0.13%

Note: Subject to vesting, Mr. WANG Lei is interested in a total of 10,296,000 shares underlying the 8,632,000 options and 1,664,000 restricted share units granted to him in accordance with the share award scheme adopted by the Company at the special general meeting held on November 24, 2014.

Long Position in shares of associated corporation

Name of Director	Name of associated corporation	Nature of interest	Number of shares/ underlying shares held	% of issued shares of associated corporation
Mr. WANG Lei	Alibaba Holding	Beneficial, equity derivative interests and interests of spouse ⁽¹⁾	75,498	0.00%
		Beneficiary of a trust ⁽²⁾	20,000	0.00%
Mr. TSAI Chung, Joseph	Alibaba Holding	Beneficial, equity derivative interests and interests of spouse ⁽³⁾	1,762,964	0.07%
		Interests in controlled corporation and other interests ⁽⁴⁾	63,515,572	2.54%
		Founder of a discretionary trust ⁽⁵⁾	12,811,122	0.51%
Ms. HUANG Aizhu	Alibaba Holding	Beneficial and equity derivative interests ⁽⁶⁾	103,572	0.00%

Name of Director	Name of associated corporation	Nature of interest	Number of shares/ underlying shares held	% of issued shares of associated corporation
Mr. KANG Kai	Alibaba Holding	Equity derivative interest ⁽⁷⁾	16,061	0.00%
Mr. WU Yongming	Alibaba Holding	Beneficial, equity derivative interests and interests of spouse ⁽⁸⁾	285,000	0.01%
		Interests in controlled corporation ⁽⁹⁾	200,000	0.01%
		Founder of a discretionary trust ⁽¹⁰⁾	7,086,786	0.28%
Mr. YAN Xuan	Alibaba Holding	Beneficial interest	3,000	0.00%

Notes:

- It represents 21,250 ordinary shares or underlying ordinary shares and 50,000 restricted share units beneficially held by Mr. WANG Lei and 1,500 ordinary shares or underlying shares and 2,748 restricted share units held by his spouse.
- It represents 20,000 ordinary shares or underlying ordinary shares held by a private trust whereby Mr. WANG Lei and his family are beneficiaries.
- It represents 1,510,464 ordinary shares and 92,500 restricted share units beneficially held by Mr. TSAI Chung, Joseph and 160,000 ordinary shares held by his spouse.
- It represents the sum of 2,868,198 shares held by or deemed to be held by MFG Limited (of which Mr. TSAI Chung, Joseph is the sole director), 23,105,952 ordinary shares or underlying ordinary shares directly or indirectly held by Parufam Limited (of which Mr. TSAI Chung, Joseph is a director and has been delegated sole voting and disposition power), 21,000,000 ordinary shares held by PMH Holding Limited (of which Mr. TSAI Chung, Joseph is the sole director), 15,000,000 ordinary shares held by APN Ltd. (in which Mr. TSAI Chung, Joseph holds 30% equity interest and has been granted a revocable proxy to vote 15,000,000 ordinary shares owned by APN Ltd.), 1,541,422 underlying ordinary shares held by MFG II Ltd. (which is wholly-owned by Mr. TSAI Chung, Joseph).
- It represents the 2,811,122 ordinary shares and/or options held by Joe and Clara Tsai Foundation Limited (whereby Mr. TSAI Chung, Joseph is the "founder" of the trust within the meaning of the SFO) and 10,000,000 options held by SymAsia Foundation Limited, the transfer of which options Mr. TSAI Chung, Joseph is entitled to direct to a charitable trust he has established.
- It represents 59,572 ordinary shares or underlying ordinary shares and 44,000 restricted share units beneficially held by Ms. HUANG Aizhu.
- It represents 4,061 ordinary shares or underlying ordinary shares and 12,000 restricted share units beneficially held by Mr. KANG Kai.
- It represents 75,000 ordinary shares and 10,000 restricted share units beneficially held by Mr. WU Yongming, and 200,000 ordinary shares held by his spouse.
- It represents 200,000 ordinary shares or underlying ordinary shares held by Plus Force Enterprise Ltd. (which is wholly owned by Mr. WU Yongming).
- It represents 7,086,786 ordinary shares or underlying ordinary shares held by Mr. WU Yongming through two private trusts whereby he is the founder of the discretionary trusts.

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

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

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

- Mr. WU Yongming, a non-executive Director, was a senior vice president of Alibaba Group and a special assistant to the chairman of the board of directors of Alibaba Holding;
- Mr. TSAI Chung, Joseph was a director and an executive vice chairman of Alibaba Holding;
- Ms. HUANG Aizhu was a senior director (資深總監) of Tmall; and
- Mr. KANG Kai was a director (總監) of Tmall and head of Tmall's medical and healthcare business; and
- Mr. WANG Lei was a consultant to Alibaba Group,

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

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

As at the Latest Practicable Date, none of the Directors has, or has had, any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since March 31, 2016, 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, none of the Directors or their respective associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. CONSENT OF EXPERT

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

Name	Qualification
Somerley Capital 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 Somerley Capital is given as of the date of this circular for incorporation herein. Somerley Capital 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, Somerley Capital 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, 2016, 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, 2016, 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) Services Agreement;
- (ii) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 15 of this circular;
- (iii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 16 to 26 of this circular;
- (iv) the written consent referred to in the section headed "Consent of Expert" of this Appendix; and
- (v) this circular.

9. LANGUAGE

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

NOTICE OF SPECIAL GENERAL MEETING



ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED

阿里健康信息技術有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00241)

Notice is hereby given that a special general meeting (the *SGM*) of Alibaba Health Information Technology Limited (the *Company*) will be held at Regus Conference Centre, 35/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, September 12, 2016 at 10:30 a.m. for the purposes of considering and, if thought fit, passing (with or without amendments) the following ordinary resolution:

ORDINARY RESOLUTION

1. "THAT

- (a) the Services Agreement (the *Services Agreement*) entered into between Alibaba Health Technology (Beijing) Company Limited* (阿里健康科技(北京)有限公司), an indirect wholly owned subsidiary of the Company, Zhejiang Tmall Network Co., Ltd* (浙江天貓網絡有限公司) and Zhejiang Tmall Technology Co., Ltd* (浙江天貓技術有限公司), members of Alibaba Group, on August 24, 2016, and the continuing connected transactions contemplated thereunder, be and are hereby confirmed, approved and ratified; and
- (b) any one or more of the directors of the Company (the *Directors*) for and on behalf of the Company, be and are hereby authorized to sign, seal, execute and deliver all such documents and deeds, and do all such acts, matters and things as they may in their discretion consider necessary, desirable or expedient to give effect to and/or to implement the transactions contemplated in this Resolution 1."

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

Chief Executive Officer and Executive Director

Hong Kong, August 26, 2016

Notes:

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

NOTICE OF SPECIAL GENERAL MEETING

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

* *English name for identification purposes only.*