THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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.

AliHealth 阿里健康

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

(Incorporated in Bermuda with limited liability)

(Stock code: 00241)

(1) MAJOR AND CONNECTED TRANSACTION
(2) CONTINUING CONNECTED TRANSACTIONS
AND
(3) NOTICE OF SPECIAL GENERAL MEETING

Financial Advisor to Alibaba Group Holding Limited

J.P.Morgan

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

PLATINUM Securities

A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 25 to 27 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 28 to 69 of this circular.

A notice convening the SGM to be held at 19/F, Building B, Greenland Center, Chaoyang District, Beijing, the PRC, on Wednesday, August 1, 2018 at 3:00 p.m. is set out on pages 115 to 118 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.

July 16, 2018

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

(Incorporated in Bermuda with limited liability)

(Stock code: 00241)

Executive Director:
Mr. SHEN Difan *(Chief Executive Officer)*

Non-executive Directors:
Mr. WU Yongming *(Chairman)*
Mr. WANG Lei
Mr. KANG Kai
Ms. ZHANG Yu

Independent Non-executive Directors:
Mr. YAN Xuan
Mr. LUO Tong
Mr. WONG King On, Samuel

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

Head Office and Principal Place of Business in Hong Kong:
26/F Tower One
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

July 16, 2018

To the Shareholders

Dear Sir/Madam,

(1) MAJOR AND CONNECTED TRANSACTION AND (2) CONTINUING CONNECTED TRANSACTIONS

1. INTRODUCTION

On May 29, 2018, the Board announced that the Company and the Vendor entered into the Share Purchase Agreement dated May 28, 2018, pursuant to which the Company had conditionally agreed to acquire and the Vendor had conditionally agreed to sell, at Completion, the entire issued share capital of the Target Company in consideration for the issue of the Consideration Shares by the Company to the Vendor. On May 28, 2018, the Tmall Entities entered into (a) the Framework Technical Services Agreement with the WFOE and (b) the Services Amendment Agreement with Alibaba Health Technology (China).

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

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

2. THE PROPOSED ACQUISITION, THE FRAMEWORK TECHNICAL SERVICES AGREEMENT AND THE SERVICES AMENDMENT AGREEMENT

2.1 Principal terms of the Share Purchase Agreement

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

(1) Date

May 28, 2018

(2) Parties

(a) The Company as the purchaser; and

(b) Ali JK Nutritional Products Holding Limited as the vendor.

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

(3) The Proposed Acquisition

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

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

Target Products are defined as the following products and/or services sold on Tmall.com:

(a) the Medical Devices and Healthcare Products;

(b) the Adult Products; and

(c) the Medical and Healthcare Services.

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

(4) The Consideration

The Consideration for the Share Purchase Agreement is HK$10,600,000,000 which was determined after arm's length negotiations between the Company and the Vendor. The Consideration will be satisfied by the Company issuing 1,827,586,207 Consideration Shares to the Vendor. The Issue Price will be HK$5.80 per Consideration Share, subject to proportional adjustments in the event of a share split, share combination, share dividend or similar events with respect to the capital of the Company prior to Completion.

For a period of 18 months from Completion, the Vendor has agreed that it will not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or other third party rights in respect of the Consideration Shares issued to it without the Company's prior written consent. However, the Company's prior written consent will not be required where the person to whom any of the Consideration Shares issued to the Vendor are transferred also undertakes to (a) bear a pro rata portion of any liabilities of the Vendor for breach of its warranties under the Share Purchase Agreement and (b) be subject to this restriction in respect of any subsequent transfer by such transferee.

The Consideration Shares represent approximately 18.56% of the issued share capital of the Company as at the Latest Practicable Date and approximately 15.65% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. The Company will continue to be able to satisfy the public float requirement under the Listing Rules following the issue of the Consideration Shares on the basis of the current shareholding structure of the Company. The allotment and issue of Consideration Shares will not result in a change of control of the Company.

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

(a) the financial performance of the Target Business which has been steadily growing, and its unique market position as a market leader in respect of most of the Target Products, in particular Medical Devices;

(b) the growth potential in the scale and profitability of the Target Business, particularly in light of increasing healthcare expenditure in the PRC, the relatively low penetration rate of online B2C pharmaceutical sales in the PRC and a trend towards more consumers buying healthcare products online;

(c) the strategic value of the Target Business to the Group's healthcare ecosystem and potential cross-selling opportunities with the Target Merchants (such as market solutions across other platforms and offline), as well as the industry and operational expertise of the Target Business as one of the first e-commerce businesses covering the Target Products and servicing the Target Merchants; and

(d) the value to the Company of the Deed of Non-competition, which will result in the Company having an exclusive relationship with the Target Merchants for the sale of Restricted Products on Tmall.com allowing it to build closer relationships with such Target Merchants and obtain exclusive access to the large volume of traffic generated on Tmall.com in relation to the Restricted Products.

(5) The Issue Price

The Issue Price represents:

(a) a discount of approximately 14.3% to the closing price of the Shares of HK$6.77 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 13.9% to the average VWAP for the five consecutive trading days up to and including the Last Trading Day of approximately HK$6.74 per Share;

(c) a premium of approximately 0.4% to the average VWAP for the ten consecutive trading days up to and including the Last Trading Day of approximately HK$5.78 per Share;

(d) a premium of approximately 9.7% to the average VWAP for the fifteen consecutive trading days up to and including the Last Trading Day of approximately HK$5.29 per Share;

(e) a premium of approximately 16.7% to the average VWAP for the twenty consecutive trading days up to and including the Last Trading Day of approximately HK$4.97 per Share;

(f) a premium of approximately 24.8% to the average VWAP for the thirty consecutive trading days up to and including the Last Trading Day of approximately HK$4.65 per Share; and

(g) a discount of approximately 20.0% to the closing price on the Latest Practicable Date of approximately HK$7.25 per Share.

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

(a) the share price performance of the Company in the thirty trading days up to and including the Last Trading Day; and

(b) the application of an appropriate discount for a substantial placing such as the one contemplated under the Share Purchase Agreement,

as well as the factors described above.

(6) Completion and conditions precedent

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

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

(b) the granting of the approval of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares;

(c) the completion of the Business Restructuring;

(d) the Vendor and/or its related companies having obtained all necessary consents and approvals from the relevant governmental or regulatory authorities or other third parties required for the transactions contemplated by the Business Restructuring and the execution and performance by the Vendor of the Share Purchase Agreement and the Proposed Acquisition;

(e) the Company having obtained all necessary consents and approvals from the relevant governmental or regulatory authorities or other third parties required for the execution and performance by the Company of the Share Purchase Agreement and the Proposed Acquisition; and

(f) no governmental authority in any relevant jurisdiction having enacted any laws, rules or regulations which might render Completion or the Business Restructuring or any part thereof unlawful.

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

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

If any of the conditions precedent set out above has not been fulfilled (or waived) on or before September 30, 2018, or such later date as may be agreed in writing between the Company and the Vendor, the Share Purchase Agreement shall automatically terminate with immediate effect pursuant to its terms.

Any failure to effect a Merchant Assignment in respect of one or more Existing Target Merchants shall not be treated as having caused any condition precedent set out in paragraph (c) or (d) above to not be satisfied, provided that Merchant Assignments have been successfully effected in respect of (i) at least 2,844 Existing Target Merchants or (ii) such number of Existing Target Merchants who collectively sold on Tmall.com at least RMB17.48 billion in GMV of Target Products during the financial year ended March 31, 2018. The 2,844 Existing Target Merchants represents approximately 85% of the Target Merchants that were online as at March 31, 2018 and who had sales in the preceding two months, and RMB17.48 billion in GMV represents approximately 85% of the GMV generated by the Target Business for the financial year ended March 31, 2018. As at the Latest Practicable Date, the Vendor has completed the Merchant Assignments in respect of 2,278 Existing Target Merchants who collectively sold on Tmall.com approximately RMB18.5 billion in GMV of Target Products during the financial year ended March 31, 2018, which represents approximately 90% of the GMV generated by the Target Business for the financial year ended March 31, 2018.

(7) Business Restructuring

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

The Vendor shall, to the extent not completed prior to the date of the Share Purchase Agreement, use all reasonable endeavors to procure, as soon as reasonably practicable and effective no later than Completion, the assignment to the WFOE of employees of Tmall Technology and its Affiliates whose primary responsibilities, as at the date of the Share Purchase Agreement, are to support the Target Business ("**Employee Assignment**").

(8) Transition Period

If the Merchant Assignment of any Existing Target Merchant has not been completed as at Completion (such Target Merchant, the "**Non-assigned Target Merchant**"), the Vendor shall continue to use reasonable endeavors to complete such Merchant Assignment as soon as reasonably practicable. For each of the Non-assigned Target Merchants, the Vendor shall, promptly after the Transition Period, pay or cause to be paid to the Company 50% of the software service fees actually received by the Tmall Entities (after all discounts, rebates and other incentives) from such Non-assigned Target Merchant in respect of the sale of Target Products by such Non-assigned Target Merchant on Tmall.com during the Transition Period.

The Transition Period commences on the date of Completion and ends on the earliest of (i) completion of the Merchant Assignment of the Non-assigned Target Merchant, (ii) the termination or expiration of the Existing Target Merchant Contract, and (iii) December 31, 2018.

2.2 The proposed Deed of Non-competition

To ensure that there is no competition between the business of the Group and the business of Alibaba Group (excluding the Group) with respect to the sales of Restricted Products, the parties have agreed on the form of the Deed of Non-competition which is to be entered into between the Company and Alibaba Holding on or before Completion.

The Deed of Non-competition provides that, other than the Permitted Scope, Alibaba Holding will not, and will procure that its Affiliates (excluding the Group) will not, directly or indirectly, alone or jointly with another person, in any form, engage in, assist or support a third party in the operation of, or participate or have any interest in, the business permitting the sales of Restricted Products on Tmall.com during the Non-competition Period. Restricted Products are the following products and/or services sold on Tmall.com:

(a) the Medical Devices;

(b) the Adult Products; and

(c) the Medical and Healthcare Services.

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

(a) the Shares ceasing to be listed on the Stock Exchange;

(b) Alibaba Holding ceasing to beneficially own an aggregate of 30% or more of the voting securities of the Company;

(c) the Company ceasing to be a subsidiary (as defined in the Listing Rules) of Alibaba Holding; and

(d) Alibaba Holding no longer being the single largest Shareholder of the Company (aggregated with the Shares beneficially owned by persons acting in concert with Alibaba Holding).

The Permitted Scope includes:

(a) the conduct of Restricted Business pursuant to any then-effective Existing Target Merchant Contracts until the earlier of (i) the expiration of such Existing Target Merchant Contract in accordance with its terms and (ii) December 31, 2018;

(b) entering into the Tripartite Agreements and conducting activities pursuant to the terms thereunder;

(c) the conduct of business activities pursuant to the terms of the Framework Technical Services Agreement, including the collection of the Tmall Software Service Fees thereunder; and

(d) any business with the Company's prior written consent.

Under the Deed of Non-competition, Alibaba Holding undertakes, during the Non-competition Period, to cause its applicable Affiliates to (i) require that the Target Merchants list Restricted Products for sale on Tmall.com in accordance with the Framework Technical Services Agreement, and (ii) use reasonable efforts to identify and remove from listing on Tmall.com any Restricted Product that is listed contrary to the requirement in (i) above.

Alibaba Holding also undertakes, during the Non-competition Period, to ensure that any new business opportunities that it or its Affiliates (excluding the Group) identify, or are offered, which fall within the scope of the Restricted Business, are offered to the Company. Such new business opportunities will not be taken up by Alibaba Holding or its Affiliates (excluding the Group).

2.3 The Framework Technical Services Agreement

Before the Proposed Acquisition, the Tmall Entities incurred costs to service the Target Merchants and provide the technical services and platform where they sold Target Products. Following Completion, while the WFOE will provide e-commerce platform maintenance related software services for the Target Products to the Target Merchants, the Tmall Entities, as the owner of Tmall.com, will continue to provide access to its e-commerce platform to the Target Merchants and incur operating costs for the provision of the technical services and the platform. The Tmall Entities and the WFOE entered into the Framework Technical Services Agreement on May 28, 2018 to set out the terms of services to be provided by the Tmall Entities and the relevant Tmall Software Service Fees.

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

(1) Date

May 28, 2018

(2) Parties

(a) the WFOE; and

(b) the Tmall Entities

(3) Term and termination

Subject to the approval of the Proposed Acquisition and the Framework Technical Services Agreement by the Independent Shareholders at the SGM, the term of the Framework Technical Services Agreement will commence on the day following Completion and end on March 31, 2021, unless otherwise mutually agreed between the parties. The parties will determine whether to renew the Framework Technical Services Agreement 60 days before it expires.

(4) Services to be provided

Pursuant to the terms of the Framework Technical Services Agreement, after Completion, the Tmall Entities will continue to provide software technical services, including the following services:

(a) Software technical services: The Tmall Entities will provide software technical support to the WFOE or the Target Merchants as requested by the WFOE for the Tmall Software Service Fees. The software technical support includes product information display and search services on Tmall.com and related software technology services;

(b) Internet information services and secondary domain names: As the platform provider and operator, the Tmall Entities will provide Tmall.com and the secondary domain names to the Target Merchants as a platform for the Target Merchants' operation of business. The secondary domain name services being provided by the Tmall Entities will not be charged to the WFOE, Target Merchants or consumers for the time being; and

(c) Other services: The Tmall Entities may provide the Target Merchants with additional services including but not limited to marketing services and Merchant customer services. The Tmall Entities will not charge the WFOE for those services unless the WFOE requests such services where the parties will agree on a separate service fee.

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

(5) Tmall Software Service Fees and annual caps

The WFOE shall pay the Tmall Software Service Fees to the Tmall Entities equal to 50% of the WFOE Software Service Fees received by the WFOE from the Target Merchants for transactions selling Target Products on Tmall.com and utilizing services provided by the Tmall Entities. The WFOE Software Service Fees are up to 3% of the value of completed sales of Target Products sold on Tmall.com and will be deducted from the receivables of the relevant Target Merchant and paid to the WFOE after a customer confirms the receipt of the products he or she purchases. The up to 3% WFOE Software Service Fees charged by the WFOE are calculated on the same basis as the software service fees currently charged by the Tmall Entities to the Target Merchants. The vice president of the finance department of the Company will cross-check the amount of the Tmall Software Service Fees being paid to the Tmall Entities on a monthly basis to ensure the accuracy of the amount.

The Tmall Software Service Fees shall be settled in cash on a monthly basis. The Tmall Software Service Fees are determined by reference to, among other things, the operating costs expected to be incurred by the Tmall Entities in providing the services including staff costs and technical support expenses.

The proposed monetary caps in respect of the fees payable to the Tmall Entities under the Framework Technical Services Agreement are RMB295 million, RMB590 million and RMB825 million for each of the financial years ending March 31, 2019, 2020 and 2021, respectively.

The proposed monetary caps for the applicable period in respect of the Framework Technical Services Agreement were arrived at after considering the historical revenue of Tmall.com attributable to the Target Business for recent financial years (i.e. RMB132.87 million, RMB228.16 million and RMB438.33 million in the financial years ended March 31, 2016, 2017 and 2018, respectively), the projected revenue of Tmall.com for the Target Business, the Company's own projections for the Target Business based on projections for the growth of the overall healthcare market in China and the Company's marketing plans for enhancing the services that the Company seeks to provide to the Target Merchants.

(6) The Tripartite Agreements

In order to open a storefront on Tmall.com, each of the Target Merchants has accepted the terms of an Existing Target Merchant Contract. As part of the Business Restructuring, the Vendor has agreed to use all reasonable endeavors to procure each of (i) the Target Merchants and (ii) the Tmall Entities to enter into a Tripartite Agreement with the WFOE. The Tripartite Agreements are ancillary implementation agreements to the Framework Technical Services Agreement.

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

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

- tracking market trends and policy updates and updating Merchants on material policy updates;
- merchant business operation and management, including handling certain matters relating to signing and renewal of tripartite agreements with the Target Merchants and the Tmall Entities, reviewing product

information and images displayed by Merchants, reviewing the documents required for Merchants' admission, formulating and implementing quality control rules and conducting regular inspections;

- merchant customer services, including providing helpline support for Merchants on the process of admission to 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;

- marketing event planning for Merchants, including planning and organizing marketing events for Merchants, organizing Merchants to participate in events, designing and building event webpage interfaces, planning customer discount programs and conducting consumer data analysis; and

- technical support, including providing technical support on product information display and store design, transaction completion processes, the use of payment tools, consumer service tools (such as the use of chat windows or complaints forms).

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

2.4 The Services Amendment Agreement

We refer to the Company's announcement dated February 14, 2018 and circular dated March 13, 2018 in relation to the Renewed Services Agreement entered into between the Tmall Entities and Alibaba Health Technology (China) (an indirect wholly owned Subsidiary of the Company). Under the Renewed Services Agreement, Alibaba Health Technology (China) agreed to provide the Tmall Entities with certain outsourced and value-added services in relation to the Relevant Categories offered in the pharmaceutical and healthcare products and services e-commerce business of Tmall.com and Tmall Supermarket. The Relevant Categories include, among other product categories and services, certain Target Products which relate to the Target Business that is proposed to be transferred to the Group under the Proposed Acquisition.

Following Completion, the Tmall Entities will no longer require the outsourced and value-added services provided under the Renewed Services Agreement relating to the Target Products on Tmall.com. Accordingly, Alibaba Health Technology (China) and the Tmall Entities have agreed to enter into the Services Amendment Agreement to amend the Relevant Categories in respect of which services are provided under the Renewed Services Agreement.

The amendments contemplated under the Services Amendment Agreement constitute a material change to the terms of the Renewed Services Agreement under the Listing Rules and, in accordance with Rule 14A.54 of the Listing Rules, the Company will re-comply with the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(1) Date

May 28, 2018

(2) Parties

(a) Alibaba Health Technology (China); and

(b) the Tmall Entities

(3) Effective Date

Subject to the approval of the Proposed Acquisition and the Services Amendment Agreement by the Independent Shareholders at the SGM, the amendments under the Services Amendment Agreement shall take effect on the day following Completion, unless otherwise mutually agreed between the parties.

(4) Amendment to Renewed Services Agreement

The definition of Relevant Categories for the purposes of the outsourced and value-added services provided by Alibaba Health Technology (China) to the Tmall Entities shall be amended and replaced by the following:

"*(a) in respect of the Tmall Supermarket, certain product categories or services offered on Tmall Supermarket, namely over-the-counter drugs, medical devices, family planning products, adult products, contact lenses, refined Chinese medicines such as Chinese medicinal drinks, prescription drugs (if available), traditional nutritional products, food supplements, dietary nutritional supplements, food supplements and dietary nutritional supplements, and (b) in respect of the Tmall.com, certain product categories or services offered on Tmall.com, namely over-the-counter drugs, refined Chinese medicines such as Chinese medicinal drinks, prescription drugs (if available), traditional nutritional products and dietary nutritional supplements, in each case of (a) and (b), for the avoidance of doubt, excludes all categories of products or services sold on or through Tmall Global.*"

Other than the above amendments, the other terms of the Renewed Services Agreement shall remain the same.

(5) Services fees and annual caps

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

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

The proposed monetary cap in respect of the fees payable by the Tmall Entities to the Group under the Renewed Services Agreement (as amended by the Services Amendment Agreement) is RMB183 million for the financial year ending March 31, 2019.

The proposed monetary cap in respect of the Renewed Services Agreement (as amended by the Services Amendment Agreement) was determined with reference to (i) the historical transaction amounts under the existing agreement (i.e. approximately RMB42.30 million and RMB124.42 million for the financial year ended March 31, 2017 and March 31, 2018); (ii) the revised scope of the Relevant Categories; (iii) the significant increase of more than 194% of the transaction amount for the year ended March 31, 2018 compared to that for the year ended March 31, 2017; (iv) the expected sales of products during the remaining months of the financial year ending March 31, 2019 following the year-on-year growth trend and boosted by the Group's increased marketing efforts; and (v) the potential of the future development of online healthcare products and services business in the PRC as shown by the rapid growth of the GMV for Tmall physical goods which recorded 43% year-on-year increase for the quarter ended December 31, 2017 and that rapid increase is expected in the GMV for pharmacy and healthcare e-commerce businesses.

2.5 Internal controls relating to the implementation of the monetary caps

The Company has internal controls in place to monitor the implementation of the monetary caps under the Framework Technical Services Agreement and the Renewed Services Agreement, including a written policy which sets out the proper steps for escalating information regarding the usage of the proposed annual caps from the operating team to the executive officers, including monthly reports to the Company's chief executive officer, chief financial officer and general counsel and then to the independent non-executive directors where required.

For the Framework Technical Services Agreement, the Company's operating team will have day-to-day interaction with the Target Merchants and will be able to closely monitor applicable GMV on a weekly basis. The Framework Technical 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 transactions.

For the Renewed Services Agreement, the finance department of the Company has been collecting and will continue to collect information on the actual transactions conducted with the Tmall Entities, and the corresponding services fees for the outsourced and value-added services provided on a bi-weekly basis, and has been updating the legal department and the chief financial officer of the Company with such information in order for them to monitor these transaction amounts. As disclosed by the Company in its circular dated March 13, 2018, the Tmall Entities have agreed to allow the Company and its external auditors to access the information necessary to report on the non-exempt continuing connected transactions contemplated under the Renewed Services Agreement.

2.6 Application for listing of the Consideration Shares

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

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

As at the Latest Practicable Date, the authorized share capital of the Company was HK$150,000,000 divided into 15,000,000,000 Shares of HK$0.01 each and 9,846,760,037 fully paid up Shares were in issue. The following table illustrates the shareholding structure of the Company: (i) as at the Latest Practicable Date; and (ii) immediately after Completion (assuming there is no change in the issued share capital of the Company other than the issue of the Consideration Shares between the Latest Practicable Date and Completion).

	As at the Latest Practicable Date		**Immediately after Completion**	
	Number of Shares	*%*	*Number of Shares*	*%*
Non-public Shareholders				
— Perfect Advance	4,420,628,008	44.89	4,420,628,008	37.86
— Ali JK Nutritional Products Holding Limited	1,629,925,000	16.55	3,457,511,207	29.62
Directors of the Company	3,607,500	0.04	3,607,500	0.03
Directors of the Company's subsidiaries	6,168,161	0.06	6,168,161	0.05
Public Shareholders				
Other shareholders	3,786,431,368	38.46	3,786,431,368	32.44
Total	9,846,760,037	100%	11,674,346,244	100%

2.8 Information on the Target Group and the Target Business

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

The Target Business comprises (i) all Merchant relationships with the Target Merchants for the sales of Target Products on Tmall.com; and (ii) certain marketing and operations personnel managing the relationships with the Target Merchants. The Target Business generated a GMV of approximately RMB20,561 million and had approximately 85.5 million annual active buyers for the financial year ended March 31, 2018. As at March 31, 2018, the Target Business had more than 3,300 Target Merchants authorized by the Tmall Entities to sell Target Products on Tmall.com.

Based on the audited financial information of the Target Business prepared in accordance with HKFRS as at March 31, 2018, the net asset value of the Target Business was nil. Set out below is the key adjusted financial information of the Target Business for each of the financial years ended March 31, 2017 and 2018.

	For the year ended March 31	
	2017	**2018**
	(RMB'000)	*(RMB'000)*
Revenue	228,164	438,329
Gross profit(*)	98,598	190,032
Profit before taxation(*)	94,800	172,091
Net profit(*)	80,580	146,278

* The gross profit, profit before taxation and net profit are adjusted on the assumption that the Framework Technical Services Agreement was in effect from April 1, 2016. The adjustments include (i) 50% of the WFOE Software Service Fees received from the Merchants that would have been paid to the Tmall Entities; (ii) expenses originally accounted for by the Target Business namely marketing and customer acquisition expenses, traffic acquisition costs, co-location and bandwidth costs, other costs of service, depreciation recharges and reallocation expenses were excluded; (iii) expenses originally accounted for by the Company in providing outsourced and value-added services for the Target Business were included (namely labor cost and other operating costs and expenses); and (iv) sales taxes and surcharges and income tax expense were recalculated based on adjusted financial information with applicable tax rate.

Based on the accountant's report on the Target Business set out in Appendix II to circular, for the years ended March 31 2016, 2017 and 2018, the Target Business recorded total revenues of RMB132.9 million, RMB228.2 million and RMB438.3 million respectively. The increase in revenues from year to year was primarily due to increased GMV, which reflects organic growth from operations and increased demand in the Target Products in recent years. The Target Business' overall expenses also increased during the same period. In particular, for the years ended March 31 2016, 2017 and 2018, the Target Business' marketing expenses were RMB8.3 million, RMB23.5 million and RMB86.7 million respectively, and other expenses were RMB7.2 million, RMB10.9 million and RMB22.2 million respectively. Marketing expenses increased to attract more customers amidst market competition. Other expenses represent immaterial operating expenses which increased in correspondence to the increased scale of operation of the Target Business.

The number of employees in the Target Business was 4 as of March 31, 2016, 2017 and 2018.

Based on the accountant's report on the Target Business set out in Appendix II to this circular, the Target Business did not have any significant investments and did not make any material acquisitions or disposals in the years ended March 31, 2016, 2017 and 2018.

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

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

- merchant customer services, including providing helpline support for Merchants on the process of admission to 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 analyzing overall customer purchase trends and making customized recommendations to consumers and increase repeat custom by recommending certain promotions for repeat purchases. As part of the store design services, the Group can also provide tailored suggestions such as how to use banner designs to drive brand recognition, better placement of the latest promotions on the storefront to increase user clicks, and tab design based on functionality and to emphasize brand recognition;

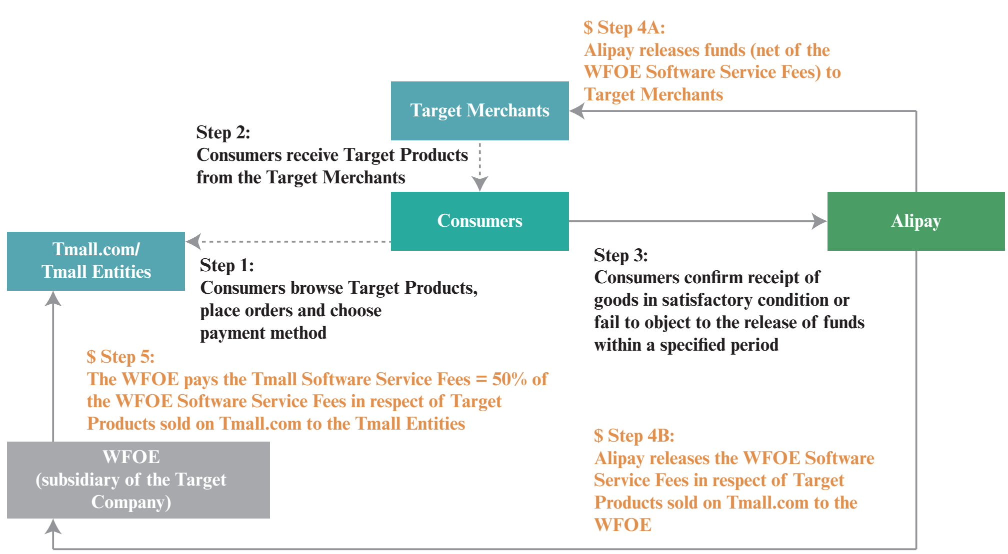
- marketing event planning for Merchants, including planning and organizing marketing events for Merchants, organizing Merchants to participate in events, designing and building event webpage interfaces, planning customer discount programs and conducting consumer data analysis. For example, the Group 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; and

- technical support, including providing technical support on product information display and store design, transaction completion processes, the use of payment tools, consumer service tools (such as the use of chat windows or complaints forms).

As at the Latest Practicable Date, the Group does not have any future plans for material investments or capital assets in respect of the Target Business for the financial year ending March 31, 2019.

Based on the accountant's report on the Target Business set out in Appendix II to this circular, the Target Business did not have any assets, liabilities or equity in its statement of financial position as at March 31, 2016, 2017 and 2018. Accordingly, subparagraphs 32(1), 32(2), 32(8) and 32(10) of Appendix 16 of the Listing Rules are not applicable to the Target Business. The Target Business entered into transactions substantially in Renminbi, which is its functional currency, and accordingly it was not subject to any material exposure to fluctuations in exchange rates.

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



2.9 Financial effect of the Proposed Acquisition

Upon Completion, the Target Company will become a Subsidiary of the Company and the financial results, assets and liabilities of the Target Company will be consolidated into the consolidated financial statements of the Company.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, and the bases and assumptions taken into account in preparing such information, assuming the Proposed Acquisition had been completed as at March 31, 2018, the Group's total assets, total liabilities and net assets will remain unchanged.

As set out in Appendix II to this circular, the audited profit after tax of the Target Business for the year ended March 31, 2018 was RMB161,648,000. While the Proposed Acquisition would not have any immediate impact on the earnings of the Group, upon Completion, the Target Group will become wholly-owned subsidiaries of the Company and its consolidated net profit will be consolidated into the Enlarged Group. It is expected that the Proposed Acquisition would enhance the Group's business development and have an accretive effect on the Group's earnings.

2.10 Information about the Company

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

2.11 Information about the Vendor and Alibaba Group

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

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

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

2.12 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.com.

Zhejiang Tmall Technology Co., Ltd* (浙江天貓技術有限公司) is a company incorporated under the laws of the PRC and an indirect wholly-owned Subsidiary of Alibaba Holding, which is principally engaged in the provision of software and technology services for Tmall.com.

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.

2.13 Reasons for and benefits of the Proposed Acquisition, the Framework Technical Services Agreement and the Services Amendment Agreement

The former CFDA issued The Measures for the Supervision and Administration of Online Sale of Medical Devices (the "**Medical Devices Measures**") on December 20, 2017, which has since come into force on March 1, 2018. The Medical Devices Measures specifically formally regulates the sale of medical devices on online third party platforms. As a result of the issuance of the Medical Devices Measures, the Company engaged in negotiations with the Alibaba Holding in relation to the acquisition of the Target Business.

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

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

The Company believes that it will be able to continue to, as it has done in the past, carry on its business and operations independently from Alibaba Group following the Proposed Acquisition. The Company continues to drive its strategy in China's healthcare market independently of Alibaba Group, and derived RMB313.7 million and RMB2,149.1 million revenues from its self-operated healthcare product and service sales business (including the Company's owned and operated online and offline pharmacy stores), which is independent from Alibaba Group, in the financial years ended March 31, 2017 and March 31, 2018, respectively. This represented a growth of approximately 585% in revenue from this business. The Company intends to continue to grow such business, as well as its product tracking, intelligent medicine and health management services which are generally also independent from Alibaba Group, going forward.

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

Following Completion, the Tmall Entities will no longer require the outsourced and value-added services relating to the Target Products currently provided by Alibaba Health Technology (China) under the Renewed Services Agreement. The Company considers the Services Amendment Agreement is necessary to amend the Relevant Categories in respect of which services will be provided by Alibaba Health Technology (China) to the Tmall Entities following Completion.

The Directors (excluding the independent non-executive Directors whose views are set out in the Letter from the Independent Board Committee) are of the view that the terms of the Share Purchase Agreement, the Framework Technical Services Agreement and the Services Amendment Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

2.14 Listing Rules implications

As one or more of the applicable percentage ratios in respect of the Share Purchase Agreement (including the alternative size test referred to in Rule 14.20) exceed 25% but are below 100%, the Proposed Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. As the Vendor is a connected person of the Company, the Proposed Acquisition also constitutes a connected transaction of the Company and is subject to the approval of the Independent Shareholders at the SGM.

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

As Mr. WU Yongming, Mr. KANG Kai, Mr. WANG Lei and Ms. ZHANG Yu are employees of Alibaba Holding or its Subsidiaries, each of these Directors is deemed or may be perceived to have a material interest in the transactions contemplated under the Proposed Acquisition, the Framework Technical Services Agreement and the Services Amendment Agreement. Accordingly, they have abstained from voting on the board resolutions in connection with the Proposed Acquisition and the continuing connected transactions under the Framework Technical Services Agreement and the Services Amendment Agreement. Other than the aforesaid Directors, no other Directors have a material interest in the Proposed Acquisition or the continuing connected transactions under the Framework Technical Services Agreement and the Services Amendment Agreement and are not requested to abstain from voting on the board resolutions approving the same.

The SGM will be convened by the Company to propose ordinary resolutions seeking approval from the Independent Shareholders by way of poll for: (i) the Share Purchase Agreement and the connected transaction contemplated thereunder; (ii) the issue of the Consideration Shares under the specific mandate; (iii) the Framework Technical Services Agreement and the non-exempt continuing connected transactions contemplated thereunder; and (iv) the Services Amendment Agreement and the non-exempt continuing connected transactions contemplated thereunder. To the best knowledge, belief and information of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, each of Perfect Advance and the Vendor holds a total of 4,420,628,008 Shares and 1,629,925,000 Shares respectively, representing approximately 44.89% and 16.55%, respectively of the issued share capital of the Company. Each of Perfect Advance and the Vendor and their associates, will abstain from voting in relation to the ordinary resolutions to be put forward at the SGM. Save as disclosed above, no other Shareholder is required to abstain from voting on the above ordinary resolutions.

2.15 Independent Board Committee and Independent Financial Adviser

The Company has established an Independent Board Committee comprising of all the independent non-executive Directors to advise the Independent Shareholders in connection with the approval of the Share Purchase Agreement, the Framework Technical Services Agreement, the Services Amendment Agreement and the connected transactions contemplated thereunder. Platinum has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Proposed Acquisition, the Framework Technical Services Agreement and the Services Amendment Agreement are fair and reasonable and in the interests of the Company so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the SGM.

The letter from the Independent Board Committee to the Independent Shareholders is set out on pages 25 to 27 of this circular. The letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 69 of this circular.

3. RECOMMENDATION

The Directors (excluding the independent non-executive Directors whose views are set out in the Letter from the Independent Board Committee) are of the opinion that the proposed resolutions set out in the notice of the SGM are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of the proposed resolutions.

4. GENERAL

Your attention is drawn to the additional information set out in the Appendices to this circular.

5. SGM AND PROXY ARRANGEMENT

The notice of the SGM is set out on pages 115 to 118 of this circular. At the SGM, resolutions will be proposed to approve the Proposed Acquisition, the Framework Technical Services Agreement, the Services Amendment Agreement and the connected transactions contemplated thereunder.

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

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

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

By Order of the Board
SHEN Difan
Chief Executive Officer and Executive Director

AliHealth
阿里健康

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)

July 16, 2018

To the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION AND (2) CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated July 16, 2018 to its Shareholders of which this letter forms part. Terms defined in the circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise you in relation to the Proposed Acquisition, the Framework Technical Services Agreement, the Services Amendment Agreement and the connected transactions contemplated thereunder; whether the terms of the Share Purchase Agreement, the Framework Technical Services Agreement and the Services Amendment Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and how to vote on the resolutions regarding: (i) the Share Purchase Agreement and the connected transaction contemplated thereunder; (ii) the issue of the Consideration Shares under the specific mandate; (iii) the Framework Technical Services Agreement and the non-exempt continuing connected transactions contemplated thereunder; and (iv) the Services Amendment Agreement and the non-exempt continuing connected transactions contemplated thereunder, taking into account the recommendations from the Independent Financial Adviser.

Platinum has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Share Purchase Agreement, the Framework Technical Services Agreement and the Services Amendment Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote on the relevant resolutions.

Your attention is drawn to:

(a) the letter from the Board set out on pages 1 to 24 of this circular which contains its recommendation to the Independent Shareholders and the additional information set out in the Appendices to this circular; and

(b) the letter from the Independent Financial Adviser set out on pages 28 to 69 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 Platinum, we are of the view that:

(a) the Proposed Acquisition (including the Share Purchase Agreement and the issue of the Consideration Shares under the specific mandate) is fair and reasonable, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole; and

(b) the terms of the Framework Technical Services Agreement (including the proposed monetary annual caps) are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interests of the Company and its Shareholders as a whole; and

(c) the terms of the Services Amendment Agreement (including the proposed monetary annual caps) are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interests of the Company and its Shareholders as a whole.

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

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

- the Services Amendment Agreement and the non-exempt continuing connected transactions contemplated thereunder,

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

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

PLATINUM Securities Company Limited

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

Telephone	(852) 2841 7000
Facsimile	(852) 2522 2700
Website	www.platinum-asia.com

July 16, 2018

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Acquisition, the Framework Technical Services Agreement, the Services Amendment Agreement and the connected transactions contemplated thereunder (the "**Transactions**"). Details are contained in the circular of the Company dated July 16, 2018 (the "**Circular**"). Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether the Transactions are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and to give independent advice to the Independent Board Committee and the Independent Shareholders.

In formulating our opinion, we have relied on the information and facts supplied to us by the Directors and/or management of the Company. We have reviewed, among other things: (i) the Share Purchase Agreement; (ii) the Framework Technical Services Agreement; (iii) the Services Amendment Agreement; (iv) the announcement of the Company dated May 29, 2018 (the "**Announcement**"); (v) the annual results announcement of the Company for the financial year ended March 31, 2018 (the "**2018 Annual Results Announcement**"); and (vi) the audited financial information of the Target Business for the years ended March 31, 2017 and 2018 (the "**Target Company Financial Results**").

We have assumed that all information, facts, opinions and representations contained in the Circular are true, complete and accurate in all material respects and we have relied on the same. The Directors have confirmed that they take full responsibility for the contents of the Circular and have made all reasonable inquiries that no material facts have been omitted from the information supplied to us.

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

During the past two years, Mr. Li Lan, for and on behalf of Platinum Securities Company Limited, had signed the opinion letters from the Independent Financial Adviser contained in the Company's circular dated June 12, 2017 in respect of the proposed acquisition of Ali JK Nutritional Products Holding Limited and the entering of the framework technical services agreement with the Tmall Entities and the Company's circular dated January 10, 2018 in respect of the revised annual caps and the Company's circular dated March 13, 2018 in respect of the renewal of non-exempt continuing connected transactions. The past engagements were limited to providing independent advisory services to the independent board committee and the independent shareholders of the Company pursuant to the Listing Rules. Under the past engagements, Platinum Securities Company Limited received a normal professional fee from the Company. Notwithstanding the past engagements, as at the Latest Practicable Date, we were independent from, and were not associated with the Company or any other party to the Transactions, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules and accordingly, are considered eligible to give independent advice on the Transactions. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transactions. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Transactions or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, including Mr. YAN Xuan, Mr. LUO Tong and Mr. WONG King On, Samuel, has been established to advise the Independent Shareholders as to whether the Transactions are on normal commercial terms are in the ordinary and usual course of business of the Group and Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of the Proposed Acquisition

On May 29, 2018, the Board announced that the Company had entered into the Share Purchase Agreement on May 28, 2018 with Ali JK Nutritional Products Holding Limited, pursuant to which the Company had conditionally agreed to acquire and the Vendor had conditionally agreed to sell 100% equity interest in Ali JK Medical Products Limited in consideration of the issue of the Consideration Shares by the Company to the Vendor.

1.1 Information on the Company

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

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

1.3 Information on the Target Group and Target Business

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

The Target Business comprises (i) all Merchant relationships with the Target Merchants for the sales of Target Products on Tmall.com and (ii) certain marketing and operations personnel managing the relationships with the Target Merchants. The Target Business generated a GMV of approximately RMB20,561 million and had approximately 85.5 million annual active buyers for the financial year ended March 31, 2018. As at March 31, 2018, the Target Business had more than 3,300 Target Merchants authorized by the Tmall Entities to sell Target Products on Tmall.com.

Based on the audited financial information of the Target Business prepared in accordance with HKFRS as at March 31, 2018, the net asset value of the Target Business was nil. Set out below is the key adjusted financial information of the Target Business for each of the financial years ended March 31, 2017 and 2018.

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Gross profit(*)	98,598	190,032
Profit before taxation(*)	94,800	172,091
Net Profit(*)	80,580	146,278

* The gross profit, profit before taxation and net profit are adjusted on the assumption that the Framework Technical Services Agreement was in effect from April 1, 2016. The adjustments include (i) 50% of the WFOE Software Service Fees received from the Merchants that would have been paid to the Tmall Entities; (ii) expenses originally accounted for by the Target Business namely marketing and customer acquisition expenses, traffic acquisition costs, co-location and bandwidth costs, other costs of service, depreciation recharges and reallocation expenses were excluded; (iii) expenses originally accounted for by the Company in providing outsourced value-added services for the Target Business were included (namely labor cost and other operating costs and expenses); and (iv) sales taxes and surcharges and income tax expense were recalculated based on adjusted financial information with applicable tax rate.

Based on the accountant's report on the Target Business set out in Appendix II to circular, for the years ended March 31 2016, 2017 and 2018, the Target Business recorded total revenues of RMB132.9 million, RMB228.2 million and RMB438.3 million respectively. The increase in revenues from year to year was primarily due to increased GMV, which reflects organic growth from operations and increased demand in the Target Products in recent years. The Target Business' overall expenses also increased during the same period. In particular, for the years ended March 31 2016, 2017 and 2018, the Target Business' marketing expenses were RMB8.3 million, RMB23.5 million and RMB86.7 million respectively, and other expenses were RMB7.2 million, RMB10.9 million and RMB22.2 million respectively. Marketing expenses increased to attract more customers amidst market competition. Other expenses represent immaterial operating expenses which increased in correspondence to the increased scale of operation of the Target Business.

The number of employees in the Target Business was 4 as of March 31, 2016, 2017 and 2018.

Based on the accountants report on the Target Business set out in Appendix II to this circular, the Target Business did not have any significant investments and did not make any material acquisitions or disposals in the years ended March 31, 2016, 2017 and 2018.

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

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

- merchant customer services, including providing helpline support for Merchants on the process of admission to 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 analyzing overall customer purchase trends and making customized recommendations to consumers and increase repeat custom by recommending certain promotions for repeat purchases. As part of the store design services, the Group can also provide tailored suggestions such as how to use banner designs to drive brand recognition, better placement of the latest promotions on the storefront to increase user clicks, and tab design based on functionality and to emphasize brand recognition;

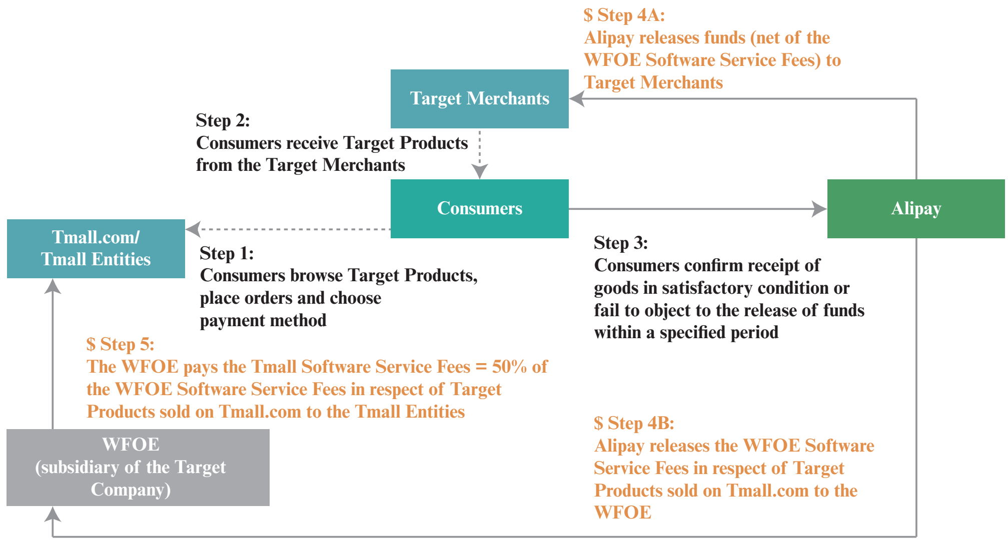
- marketing event planning for Merchants, including planning and organizing marketing events for Merchants, organizing Merchants to participate in events, designing and building event webpage interfaces, planning customer discount programs and conducting consumer data analysis. For example, the Group 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; and

- technical support, including providing technical support on product information display and store design, transaction completion processes, the use of payment tools, consumer service tools (such as the use of chat windows or complaints forms).

As at the Latest Practicable Date, the Group does not have any future plans for material investments or capital assets in respect of the Target Business for the financial year ending March 31, 2019.

Based on the accountant's report on the Target Business set out in Appendix II to this circular, the Target Business did not have any assets, liabilities or equity in its statement of financial position as at March 31, 2016, 2017 and 2018. Accordingly, subparagraphs 32(1), 32(2), 32(8) and 32(10) of Appendix 16 of the Listing Rules are not applicable to the Target Business. The Target Business entered into transactions substantially in Renminbi, which is its functional currency, and accordingly it was not subject to any material exposure to fluctuations in exchange rates.

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



1.4 Information on 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.com.

Zhejiang Tmall Technology Co., Ltd* (浙江天貓技術有限公司) is a company incorporated under the laws of the PRC and an indirect wholly-owned Subsidiary of Alibaba Holding, which is principally engaged in the provision of software and technology services for Tmall.com.

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.

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

With the popularization of the internet, China has the largest internet community in the world which lays a solid user base for the development of Medical Devices and Healthcare Products, Adult Products and Medical and Healthcare Services e-commerce. According to the National Bureau of Statistics, there were approximately 772 million internet users and 753 million mobile internet users in China as of December 31, 2017[1], representing an increase of 5.6% and 8.2%, respectively, from the previous year. According to the China Internet Network Information Center (the "**CNNIC**"), following the improvement of mobile technology and the increased popularity of smart phones in China, the proportion of mobile internet users to total internet users increased to a historical high of 97.5% as of December 31, 2017, up 2.4% year-on-year[2] and the e-commerce consumer base is expected to grow. At the same time, there has been a rapid rise in the number of both online retail consumers and mobile retail consumers. According to the CNNIC, the proportion of online retail consumers among total internet users increased from 63.8% in 2016 to 69.1% in 2017[3] whilst the proportion of mobile retail consumers among online retail consumers increased from 94.5% in 2016 to 94.9% in 2017[4]. Not only has the number of online and mobile retail consumers increased, but the value of total online retail sales has also maintained a rapid growth trend. In 2010, China's online retail sales amounted to RMB523.1 billion[5] while in 2017, China's online retail sales had already reached RMB7,175.1 billion, up 32.2% year-on-year[6]. Therefore, we expect that the number of internet and mobile users, online and mobile retail consumers and online and mobile retail sales values in the coming year will continue to increase, which in turn indicates that there is still high potential for the China e-commerce market to grow.

At the same time, according to the Report of Market Prospective and Business Model Innovation on China Internet Medical Industry (2018–2023)[7], the market size for the PRC internet medical industry reached RMB10.9 billion in 2016 and is expected to retain a compound annual growth rate of 33.6% until 2026 to reach a total market size of approximately RMB200 billion while pharmaceutical B2C GMV reached RMB20.3 billion in 2016 and is expected to retain a compound annual growth rate of 41.9% until 2026 to reach a GMV of RMB672.3 billion by 2026.

1 Source: *http://www.stats.gov.cn/enGliSH/PressRelease/201802/t20180228_1585666.html*

2 Source: *http://www.cnnic.net.cn/hlwfzyj/hlwxzbg/hlwtjbg/201803/P020180305409870339136.pdf*

3 Source: *http://www.cnnic.net.cn/hlwfzyj/hlwxzbg/hlwtjbg/201803/P020180305409870339136.pdf*

4 Source: *http://www.cnnic.net.cn/hlwfzyj/hlwxzbg/hlwtjbg/201803/P020180305409870339136.pdf*

5 Source: *http://www.cnnic.cn/research/bgxz/dzswbg/201106/P020110602594116726720.pdf*

6 Source: *http://www.cnnic.net.cn/hlwfzyj/hlwxzbg/hlwtjbg/201803/P020180305409870339136.pdf*

7 Source: *https://bg.qianzhan.com/report/detail/300/180516–66b8dbd4.html*

According to the WHO Global Health Expenditure Database 2017 released by the World Health Organization[8], China's health expenditure as a percentage of GDP in 2015 was 5.3%, as compared to 9.4%, 10.9% and 7.4% for Japan, Australia and Korea respectively. Such low ratio in China as compared to other countries is mainly attributed to the weaknesses of the PRC healthcare services markets including (i) scarcity and uneven distribution of quality medical resources in China; (ii) poor medical service experience for patients; and (iii) expected deficit of social medical insurance. As such, we anticipate the following trends in the PRC healthcare services industry: (i) more private healthcare services; (ii) emerging commercial insurance; and (iii) further development of internet healthcare. Also, we observed an upward trend for the per capital expenditure for healthcare and medical services from RMB912 in 2013 to RMB1,307 in 2016[9]. As such, we expect the general healthcare products and services market to benefit from the favorable factors mentioned above.

In light of the above, we are of the view that the medical devices and healthcare products and services market will also benefit from China's e-commerce expansion. According to the Annual Report on the Development of Medical Device Industry in China (2017) released by Social Sciences Academic Press (China)[10], it is estimated that medical devices sales may reach RMB700 billion in 2020, up from approximately RMB500 billion in 2016. We also note from the Medical Devices Measures released by the former CFDA on December 20, 2017[11] that there is now clearer regulation over the medical devices market, including clearer delineation of work between the central government, the provincial government and the local government that we believe will enable more standardization in the market which will in turn help the e-commerce market to grow. On April 25, 2018, the General Office of the State Council also released its opinion letter on the promotion of "Internet + Healthcare" development[12] to improve healthcare modernization management, optimize resource distribution, innovate service mode, improve service efficiency, reduce service cost and meet the increasing demand for healthcare products and services.

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

[8] Source: *http://www.who.int/health_financing/topics/resource-tracking/Western-Pacific-Region-Health-Expenditure-(Asia)-Dashboard.pdf?ua=1*

[9] Source: *http://data.stats.gov.cn/english/easyquery.htm?cn=C01*

[10] Source: *https://china.trade.gov.pl/pl/f/download/fobject_id:436171*

[11] Source: *http://eng.sfda.gov.cn/WS01/CL0053/220098.html*

[12] Source: *http://www.gov.cn/zhengce/content/2018-04/28/content_5286645.htm*

3. Reasons for and benefits of the Proposed Acquisition

As stated in the Letter from the Board in the Circular, the Company is an investment holding company and the Group is committed to providing Internet technology, service tools and platforms to industry partners, with the aim of providing accessible and affordable medical and healthcare services to the public so as to make good health achievable at the fingertips. The principal activities of the Group comprise the sales of healthcare products and services, and the provision of product tracking, intelligent medicine and health management services.

The Target Company is an offshore holding vehicle incorporated in the British Virgin Islands and an indirect wholly-owned Subsidiary of Alibaba Holding. The Target Company, through the WFOE, will hold the Target Business after the Business Restructuring. The Target Business comprises (i) all Merchant relationships with the Target Merchants for the sales of Target Products on Tmall.com and (ii) certain marketing and operations personnel managing the relationships with the Target Merchants. The Target Business generated a GMV of approximately RMB20,561 million and had approximately 85.5 million annual active buyers for the financial year ended March 31, 2018. As of March 31, 2018, the Target Business had more than 3,300 Target Merchants authorized by the Tmall Entities to sell Target Products on Tmall.com.

We understand from the management of the Company that the Company's mission is to build an online community where it will connect participants in China's healthcare market, so as to provide users with better medical and healthcare services, to realize Alibaba Group's "Double H" strategic direction. The Company believes that its acquisition of the Target Business will enable it to: (i) further develop into Alibaba Group's healthcare flagship platform; (ii) bring in an even broader set of merchants into the online healthcare community to enrich the ecosystem, and to organically complement and supplement the Company's existing healthcare product sales and services, Internet-based medical services and personal health management platform, intelligent medicine and tracking services businesses; and (iii) obtain more stable and sustainable revenue growth. Completing the Proposed Acquisition will give the Company exposure to approximately 85.5 million annual active buyers and more than 3,300 Target Merchants on Tmall. Therefore, we are of the view that the Proposed Acquisition is in line with the business strategy of the Group.

As stated in the Letter from the Board in the Circular, the Company believes that it will be able to continue to, as it has done in the past, carry on its business and operations independently from Alibaba Group following the Proposed Acquisition. The Company continues drive its strategy in China's healthcare market independently of Alibaba Group, and derived RMB313.7 million and RMB2,149.1 million revenues from its self-operated healthcare product and service sales business (including the Company's owned and operated online and offline pharmacy stores), which is independent from Alibaba Group, in the financial years ended March 31, 2017 and March 31, 2018, respectively. This represented a growth of approximately 585% in revenue from this business. The Company intends to continue to grow such business, as well as its product tracking, intelligent medicine and health management services which are generally also independent from Alibaba Group, going forward.

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

In addition, as explained above, China's online medical devices, healthcare products and services market is a fast-developing market with huge potential due to (i) the development of e-commerce and an increasing number of online retail users; (ii) expansion of the medical devices and healthcare products and services markets; and (iii) the support from the Chinese government to reform the healthcare market in China. We understand that the Company also offers a variety of internet solutions to healthcare industry participants. Therefore, we think that the acquisition of the Target Business will enable the Company to acquire more merchant relationships, following which the Company can introduce the Target Merchants to the Company's other businesses while at the same time deepening its industry experience and expertise. As mentioned above, the Target Business generated a revenue of approximately RMB438 million for the year ended March 31, 2018. Accordingly, the Proposed Acquisition will allow the Company to benefit from an increase in revenue from such business and further develop into the healthcare flagship of Alibaba Group which is in line with the Company's management's goals and expectations.

In terms of the financial impact on the earnings of the Proposed Acquisition, we note that the Target Company has been profitable over the years. As disclosed in the Appendix II "Accountant's report of the Target Business", the audited profit and total comprehensive income for the year attributable to owners for the Target Business for the three years ended March 31, 2016, 2017 and 2018 are approximately RMB87 million, RMB117 million and RMB162 million, respectively. Upon Completion, the Target Group will become wholly-owned subsidiaries of the Company and its consolidated net profit will be consolidated into the Enlarged Group. Given that the Target Business has been profitable over the past years, we expect the Target Business will remain profitable and enhance the earnings of the Group after Completion and such positive effect would be one of the most direct synergies of the Proposed Acquisition.

Based on the above considerations, we are of the view that the Proposed Acquisition represents a valuable opportunity to leverage on the Target Company's relationships with the Target Merchants selling the Target Products on Tmall.com to expand the Company's business and will have a potential synergistic effect on the Company's existing businesses and increase its competitive advantage to expand further into e-commerce in the medical devices and healthcare products and services markets and expand its offerings to healthcare industry participants across China. We concur with the management of the Company that the Proposed Acquisition will aid the Company in its goal to become the healthcare flagship of Alibaba Group. In conclusion, we are of the view that the Proposed Acquisition is in the ordinary and usual course of business and is in line with the business strategy of the Group.

4. Principal terms of the Share Purchase Agreement

Date: May 28, 2018

Parties: The Company as the purchaser; and

Ali JK Nutritional Products Holding Limited as the vendor.

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

The Proposed Acquisition

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

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

Target Products are defined as the following products and/or services sold on Tmall.com:

(a) the Medical Devices and Healthcare Products;

(b) the Adult Products; and

(c) the Medical and Healthcare Services.

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

The Consideration

The Consideration for the Share Purchase Agreement is HK$10,600,000,000 which was determined after arm's length negotiations between the Company and the Vendor. The Consideration will be satisfied by the Company issuing 1,827,586,207 Consideration Shares to the Vendor. The Issue Price will be

HK$5.80 per Consideration Share, subject to proportional adjustments in the event of a share split, share combination, share dividend or similar events with respect to the capital of the Company prior to Completion.

For a period of 18 months from Completion, the Vendor has agreed that it will not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or other third party rights in respect of, the Consideration Shares issued to it without the Company's prior written consent. However, the Company's prior written consent will not be required where the person to whom any of the Consideration Shares issued to the Vendor are transferred also undertakes to (a) bear a pro rata portion of any liabilities of the Vendor for breach of its warranties under the Share Purchase Agreement and (b) be subject to this restriction in respect of any subsequent transfer by such transferee.

The Consideration Shares represent approximately 18.56% of the issued share capital of the Company as at the Latest Practicable Date and approximately 15.65% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. The Company will continue to be able to satisfy the public float requirement under the Listing Rules following the issue of the Consideration Shares on the basis of the current shareholding structure of the Company. The allotment and issue of Consideration Shares will not result in a change of control of the Company.

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

(a) the financial performance of the Target Business which has been steadily growing, and its unique market position as a market leader in respect of most of the Target Products, in particular Medical Devices;

(b) the growth potential in the scale and profitability of the Target Business, particularly in light of increasing healthcare expenditure in the PRC, the relatively low penetration rate of online B2C pharmaceutical sales in the PRC and a trend towards more consumers buying healthcare products online;

(c) the strategic value of the Target Business to the Group's healthcare ecosystem and potential cross-selling opportunities with the Target Merchants (such as market solutions across other platforms and offline), as well as the industry and operational expertise of the Target Business as one of the first e-commerce businesses covering the Target Products and servicing the Target Merchants; and

(d) the value to the Company of the Deed of Non-competition, which will result in the Company having an exclusive relationship with the Target Merchants for the sale of Restricted Products on Tmall.com allowing it to build closer relationships with such Target Merchants and obtain exclusive access to the large volume of traffic generated on Tmall.com in relation to the Restricted Products.

Completion and conditions precedent

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

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

(b) the granting of the approval of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares;

(c) the completion of the Business Restructuring;

(d) the Vendor and/or its related companies having obtained all necessary consents and approvals from the relevant governmental or regulatory authorities or other third parties required for the transactions contemplated by the Business Restructuring and the execution and performance by the Vendor of the Share Purchase Agreement and the Proposed Acquisition;

(e) the Company having obtained all necessary consents and approvals from the relevant governmental or regulatory authorities or other third parties required for the execution and performance by the Company of the Share Purchase Agreement and the Proposed Acquisition; and

(f) no governmental authority in any relevant jurisdiction having enacted any laws, rules or regulations which might render Completion or the Business Restructuring or any part thereof unlawful.

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

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

If any of the conditions precedent set out above has not been fulfilled (or waived) on or before September 30, 2018, or such later date as may be agreed in writing between the Company and the Vendor, the Share Purchase Agreement shall automatically terminate with immediate effect pursuant to its terms.

Any failure to effect a Merchant Assignment in respect of one or more Existing Target Merchants shall not be treated as having caused any condition precedent set out in paragraph (c) or (d) above to not be satisfied, provided that Merchant Assignments have been successfully effected in respect of (i) at least 2,844 Existing Target Merchants or (ii) such number of Existing Target Merchants who collectively sold on Tmall.com at least RMB17.48 billion in GMV of Target Products during the financial year ended March 31, 2018. The 2,844 Existing Target Merchants represents approximately 85% of the Target Merchants that were online as at March 31, 2018 and who had sales in the preceding two months, and RMB17.48 billion in GMV represents approximately 85% of the GMV generated by the Target Business for the financial year ended March 31, 2018. As at the Latest Practicable Date, the Vendor has completed the Merchant Assignment in respect of 2,278 Existing Target Merchants who collectively sold on Tmall.com approximately RMB18.5 billion in GMV of Target Products during the financial year ended March 31, 2018, which represents approximately 90% of the GMV generated by the Target Business for the financial year ended March 31, 2018.

Business Restructuring

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

The Vendor shall, to the extent not completed prior to the date of the Share Purchase Agreement, use all reasonable endeavors to procure, as soon as reasonably practicable and effective no later than Completion, the assignment to the WFOE of employees of Tmall Technology and its Affiliates whose primary responsibilities, as at the date of the Share Purchase Agreement, are to support the Target Business ("**Employee Assignment**").

Transition Period

If the Merchant Assignment of any Existing Target Merchant has not been completed as at Completion (such Target Merchant, the "**Non-assigned Target Merchant**"), the Vendor shall continue to use reasonable endeavors to complete such Merchant Assignment as soon as reasonably practicable. For each of the Non-assigned Target Merchants, the Vendor shall, promptly after the Transition

Period, pay or cause to be paid to the Company 50% of the software service fees actually received by the Tmall Entities (after all discounts, rebates and other incentives) from such Non-assigned Target Merchant in respect of the sale of Target Products by such Non-assigned Target Merchant on Tmall.com during the Transition Period.

The Transition Period commences on the date of Completion and ends on the earliest of (i) completion of the Merchant Assignment of the Non-assigned Target Merchant; (ii) the termination or expiration of the Existing Target Merchant Contract; and (iii) December 31, 2018.

As stated in the Letter from the Board in the Circular, the Vendor shall promptly after the Transition Period, pay or cause to be paid to the Company 50% of the software service fees actually received by the Tmall Entities (after all discounts, rebates and other incentives) from such Non-assigned Target Merchant in respect of the sale of Target Products by such Non-assigned Target Merchant on Tmall.com during the Transition Period. We note that the 50% of the software service fees payable by the Vendor to the Company is in line with the amount to be paid by the WFOE to the Tmall Entities after entering into the Framework Technical Services Agreement after Completion. In addition, the Company should be entitled to such fees receivable from the Vendor as the WFOE would have already started providing services to the Non-assigned Target Merchant during the Transition Period. Furthermore, the Transition Period commences on the date of Completion and ends on the earliest of (i) completion of the Merchant Assignment of the Non-assigned Target Merchant; (ii) the termination or expiration of the Existing Target Merchant Contract; and (iii) December 31, 2018. We understand the existing agreements entered into between the Existing Target Merchants and the Tmall Entities which allow the Existing Target Merchants to sell products on Tmall.com typically expire on December 31, 2018. If, following December 31, 2018, Non-assigned Target Merchants do not enter into the Tripartite Agreement with the WFOE and the Tmall Entities, they will no longer be able to sell the Target Products on Tmall.com. Therefore, we concur with the management of the Company that the commencement and ending dates of the Transition Period are fair and reasonable and that the arrangements during the Transition Period are also fair and reasonable.

5. The Consideration

5.1 Comparable companies analysis

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

Based on our research and knowledge of the e-commerce industry, we believe that a website is just a tool for e-commerce companies to complete sales transactions online but the key driver of the success of e-commerce companies is their relationship with merchants and/or customers in order to generate GMV and revenue for the companies. Therefore, whether or not an e-commerce company has or relies mainly on an independently self-operated website may be a decision based on the difference in the cost structure as the initial cost to develop a website to carry out e-commerce business and to build up significant traffic volume may be much higher. In the present case, the Target Company utilizes the Tmall.com website of Alibaba Group for merchants and customers to complete sales transactions and therefore effectively outsources the technical services related to the operation of such website to Alibaba Group and in return pays Alibaba Group a service fee.

In light of the above, we consider the Target Company as an e-commerce company and we have expanded our criteria to identify comparable e-commerce companies (the "**Comparable Companies**") that (i) are primarily engaged in e-commerce business in the PRC with a market capitalization over RMB10 billion; (ii) have a similar business model to the Target Company whereby customers need to select the product and enter into a transaction with the merchant using an online platform; (iii) at least 50% of the revenue or total transaction value are generated from its B2C e-commerce online platform in PRC; and (iv) are currently listed on the Shanghai Stock Exchange, Shenzhen Stock Exchange, Hong Kong Stock Exchange, NASDAQ or New York Stock Exchange, being the five major stock exchanges where major PRC e-commerce companies are listed on. The size of the Target Company may vary significantly from some of the Comparable Companies. However, in considering the relevancy of the selected Comparable Companies to the Target Company, we found that the Comparable Companies are well-known e-commerce platforms with a sustainable number of active users and merchants and have similar business nature in terms of a high rate of growth. In addition, the Comparable Companies are selected on the basis that at least 50% of their revenue or total transaction value are generated from their B2C e-commerce online platform in the PRC meaning that the majority of their revenue is derived from similar business model as the Target Company, and thus can be considered comparable to the Target Company. Therefore, together with the reasons stated above, we are of the view that the selected Comparable Companies are relevant and comparable to the Target Company. The Comparable Companies have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavors, though our research using public information.

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

Table 1: Comparable Companies analysis

Company Name	**Ticker**	**Market Cap** *(in RMB billions)* *(Note 1)*	**P/GMV** *(times)* *(Note 2)*	**P/E** *(times)* *(Note 3)*
Alibaba Group Holding Limited	NYSE: BABA	3,207.7	0.63	47.06
JD.com, Inc.	NASDAQ: JD	363.7	0.27	N/A
Ctrip.com International, Ltd.	NASDAQ: CTRP	165.0	0.29	75.02
Suning.com Co., Ltd.	002024.SZ	121.8	0.96	28.91
Vipshop Holdings Limited	NYSE: VIPS	45.6	N/A	22.76
		Maximum	0.96	75.02
		Minimum	0.27	22.76
		Average	0.54	43.44
		Median	0.46	37.98
Target Company		9.0 *(Note 4)*	0.44 *(Note 5)*	61.67 *(Note 5)*

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

Note 1: The market capitalization of those Comparable Companies that are listed in the US are converted into RMB at the rate of USD1.00:RMB6.6826 approximately as at the Latest Practicable Date as extracted from Bloomberg.

Note 2: P/GMV of the Comparable Companies are calculated by using the market capitalization of the respective companies as at the Latest Practicable Date as extracted from Bloomberg divided by the latest full year GMV of the respective companies as obtained from their annual reports or company websites. N/A indicates that the latest full year GMV of the respective companies are not available.

Note 3: P/E of the Comparable Companies are calculated by using the market capitalization of the respective companies as at the Latest Practicable Date divided by the earnings of the respective companies as obtained from their latest published annual reports and Bloomberg. N/A indicates that the respective companies' latest full year earnings have recorded a loss.

Note 4: The Target Company's market capitalization is implied by the Consideration. The Consideration is converted into RMB at the rate of HKD1.00:RMB0.85105 approximately as at the Latest Practicable Date as extracted from Bloomberg.

Note 5: The Target Company's implied multiples are calculated by using the Consideration divided by the Target Company's latest full year GMV and earnings as of March 31, 2018.

As illustrated above, the P/GMV of the Comparable Companies range from approximately 0.27 times to approximately 0.96 times (the "**P/GMV Range**"), with an average of approximately 0.54 times (the "**P/GMV Average**") and a median of approximately 0.46 times (the "**P/GMV Median**").

The P/E of the Comparable Companies range from approximately 22.76 times to approximately 75.02 times (the "**P/E Range**"), with an average of approximately 43.44 times (the "**P/E Average**") and a median of approximately 37.98 times (the "**P/E Median**").

We note that the implied P/GMV and P/E of the Target Company is 0.44 times and 61.67 times, respectively. The implied P/GMV is lower than the P/GMV Average and the P/GMV Median and within the P/GMV Range. The implied P/E is higher than the P/E Average and the P/E Median and within the P/E Range.

In terms of P/E, we note that the implied P/E of Target Company is higher than the P/E Average and P/E Median. In our analysis, we found that the P/E of the Comparable Companies varies widely and one of the Comparable Companies actually recorded a loss in the last financial year. We understand the reason of such performance is due to the fact that e-commerce companies have relatively fluctuating earnings as demonstrated by their earnings for the past few years. The fluctuations have generally resulted in volatile share prices and P/E ratios of the Comparable Companies. Additionally, technology companies including e-commerce companies are keen in making investments in areas other than their e-commerce platforms to maintain their positions in a fast-developing industry. Investments were made in areas such as cloud services, logistics and warehouses, etc. and such investments may have unpredictable performance hence affecting the earnings of the Company. Although the implied P/E of the Target Company is higher than the P/E Average and P/E Median, we are of the view it is reasonable given the unique nature of business in the industry and given that the implied P/E of the Target Company is still within the P/E Range.

Furthermore, we have carried out our independent analysis on the P/GMV of the Comparable Companies which we consider to be the most suitable indicator in determining whether the Consideration of the Proposed Acquisition is fair and reasonable. The reason for that is because GMV is one of the most important performance indicators for e-commerce companies. While sales reflects the revenue received for the year which may include income from advertising and tenant commissions, GMV reflects the total volume in dollars of sales over the year. As for the Target Company, it does not have much income from sources other than receiving service fees from the Target Merchants unlike the Comparable Companies which usually have diversified sources of income. For example, advertising income contributes a large portion of Alibaba's yearly revenue. We understand that the Target Business generated a GMV of approximately RMB20,561 million and had approximately 85.5 million annual active buyers for the financial year ended March 31, 2018 thus the GMV of the Target Company reflects a strong signal of the influence of the Target Company in the market. The Target Business can therefore be considered as one of China's healthcare e-commerce leaders in terms of GMV. Therefore, we believe that P/GMV is the most suitable indicator to value the Target Company in this case. We note that the implied P/GMV is lower than the P/GMV Average and the P/GMV Median and within the P/GMV Range. We are of the view that implied P/GMV is a good indication of the fairness and reasonableness of the Consideration.

In general, we consider that P/GMV and P/E of the Comparable Companies vary significantly due to the fact the Comparable Companies provide different e-commerce services. However, we consider that the ranges of P/GMV and P/E of the Comparable Companies could still provide reference to a broad range of the valuation of companies involved in e-commerce business, which shows that the P/GMV and P/E of the Target Company are within the industry range. More importantly, we believe the healthcare e-commerce industry in China is undergoing a rapid expansion, meaning that there is great potential for future growth of the Target Business. Therefore, we are of the view that the Consideration is fair and reasonable based on the Comparable Companies Analysis.

6. The Issue Price

The Issue Price represents:

(a) a discount of approximately 14.3% to the closing price of the Shares of HK$6.77 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 13.9% to the average VWAP for the five consecutive trading days up to and including the Last Trading Day of approximately HK$6.74 per Share;

(c) a premium of approximately 0.4% to the average VWAP for the ten consecutive trading days up to and including the Last Trading Day of approximately HK$5.78 per Share;

(d) a premium of approximately 9.7% to the average VWAP for the fifteen consecutive trading days up to and including the Last Trading Day of approximately HK$5.29 per Share;

(e) a premium of approximately 16.7% to the average VWAP for the twenty consecutive trading days up to and including the Last Trading Day of approximately HK$4.97 per Share;

(f) a premium of approximately 24.8% to the average VWAP for the thirty consecutive trading days up to and including the Last Trading Day of approximately HK$4.65 per Share; and

(g) a discount of approximately 20.0% to the closing price on the Latest Practicable Date of approximately HK$7.25 per Share.

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

(a) the share price performance of the Company in the thirty trading days up to and including the Last Trading Day; and

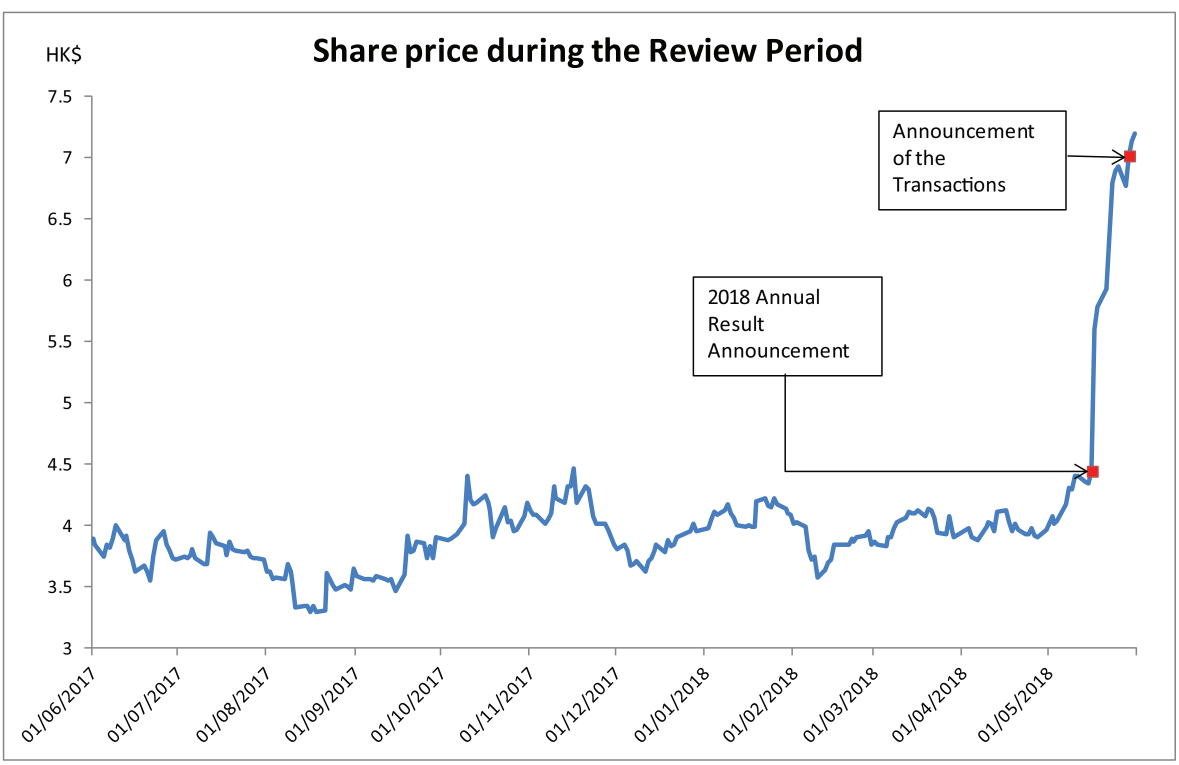
(b) the application of an appropriate discount for a substantial placing such as the one contemplated under the Share Purchase Agreement,

as well as the factors described above.

6.1 Review of historical price movement of the Shares

The following exhibit shows the historical price movement of the Shares from June 1, 2017 (being approximately one year prior to the date of the Share Purchase Agreement) up to the date of the Share Purchase Agreement (the "**Review Period**").

Exhibit 1: historical price movement of the Shares



We note that the closing price of the Shares was in an upward trend from HK$3.89 on June 1, 2017 to HK$7.19 May 31, 2018, with an average closing price of approximately HK$4.01 during the Review Period. The issue price of

Consideration Shares as at HK$5.80 is within the range of the lowest and highest closing prices of the Shares as quoted on the Hong Kong Stock Exchange during the Review Period, and represented a premium of approximately 75.8% over the lowest closing price of HK$3.30 recorded on August 18, 2017, and a discount of approximately 19.3% to the highest closing price of HK$7.19 recorded on May 31, 2018. We observed that the share price of the Company increased from HK$4.44 on May 16, 2018 to HK$7.19 on May 31, 2018 following the release of 2018 Annual Results Announcement on May 16, 2018 (the "**Post-Announcement Period**"). We have discussed with the management of the Company regarding the possible reasons for the increase in the share price following the release of 2018 Annual Results Announcement and they were not aware of any matters that may have impacted on the share price during the Post-Announcement Period. As such, we are of the view that the increase may be attributable to market sentiment following the 2018 Annual Results Announcement. Other than the abovementioned Post-Announcement Period, the daily closing prices of the Shares have experienced limited fluctuations during the Review Period.

6.2 Comparable Transactions analysis

In order to assess the fairness and reasonableness of the Issue Price, we have reviewed recent transactions, including connected transactions, announced by companies listed on the Stock Exchange in which involved the issuance of consideration shares (the "**Issuance Comparables**") since March 1, 2018 to the date of the Share Purchase Agreement. We consider these selection criteria as reasonable since the Proposed Acquisition involves the issuance of Consideration Shares as Consideration.

The Issuance Comparables have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavors, through our research using public information.

As the Issuance Comparables involve the issuance of consideration shares as part of the consideration, we believe these Issuance Comparables would provide a benchmarking comparison for our analysis as factors taken into account in determining the issue price of the consideration shares issued under such transactions provide an indication of the premium over/discount to the market price of the relevant shares. The time frame of March 1, 2018 to the date of the Share Purchase Agreement is a reasonable basis for our analysis because the Hang Seng Index ("**HSI**") fluctuated between 29,518.69 points and 31,601.45 points during such period, representing a fluctuation of approximately 7.1% and therefore, we are of the view that the market was fairly stable and there were no major events occurred that had a material impact on the overall market. As such, we consider that transactions occurred during such period were under similar market conditions and are therefore suitable to provide relevant samples of the Issuance Comparables for the purpose of our analysis and are comparable to the proposed issuance of Consideration Shares as consideration for the Proposed Acquisition.

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

Table 2: Comparable Transactions analysis

			Premium/(discount) of the issue price over/(to) the average					
Date of announcement	**Company Name**	**Ticker**	**Closing price of the last trading day prior to/on the date of the relevant announcement**	**VWAP of the last 5 consecutive trading day prior to/on the date of the relevant announcement**	**VWAP of the last 10 consecutive trading day prior to/on the date of the relevant announcement**	**VWAP of the last 15 consecutive trading day prior to/on the date of the relevant announcement**	**VWAP of the last 20 consecutive trading day prior to/on the date of the relevant announcement**	**VWAP of the last 30 consecutive trading day prior to/on the date of the relevant announcement**
01-Mar-18	Pan Asia Environmental Protection Group Limited	556HK	53.1%	69.4%	73.9%	72.8%	70.0%	64.0%
15-Mar-18	Risecomm Group Holdings Limited	1679HK	0.0%	(1.6%)	(1.6%)	(2.6%)	(3.8%)	(3.7%)
28-Mar-18	Hao Tian International Construction Investment Group Limited	1341HK	17.6%	16.8%	26.1%	30.7%	33.3%	36.9%
18-Apr-18	Universal Health International Group Holding Limited	2211HK	7.9%	1.0%	0.2%	(0.4%)	(1.0%)	(1.8%)
25-Apr-18	Ching Lee Holdings Limited	3728HK	(2.5%)	2.1%	1.9%	2.2%	1.7%	(0.4%)
26-Apr-18	China Creative Global Holdings Limited	1678HK	4.2%	5.1%	6.3%	5.5%	4.6%	3.5%
09-May-18	Inspur International Limited	596HK	(2.9%)	(2.3%)	(0.7%)	0.8%	1.9%	3.0%
09-May-18	Hopefluent Group Holdings Limited	733HK	21.7%	19.3%	21.2%	20.9%	21.1%	18.1%
14-May-18	Pacific Basin Shipping Limited	2343HK	(2.6%)	0.2%	(1.2%)	(1.3%)	(1.4%)	(1.9%)
24-May-18	China Grand Pharmaceutical and Healthcare Holdings Limited	512HK	(33.8%)	(33.2%)	(32.0%)	(30.4%)	(29.3%)	(25.5%)
		Maximum	**53.1%**	**69.4%**	**73.9%**	**72.8%**	**70.0%**	**64.0%**
		Minimum	**(33.8%)**	**(33.2%)**	**(32.0%)**	**(30.4%)**	**(29.3%)**	**(25.5%)**
		Average	**6.3%**	**7.7%**	**9.4%**	**9.8%**	**9.7%**	**9.2%**
		Issue Price	**(14.3%)**	**(13.9%)**	**0.4%**	**9.7%**	**16.7%**	**24.8%**

Source: the Stock Exchange

As illustrated in Table 2, the issue prices of the Comparable Transactions ranged from a discount of approximately 33.8% to a premium of approximately 53.1% to/over the share price of the last trading day (the "**Market Range I**") with an average premium of approximately 6.3% (the "**Market Average I**"), from a discount of approximately 33.2% to a premium of approximately 69.4% to/over the average VWAP of the last 5 trading days immediately preceding the date of agreement (the "**Market Range II**") with an average premium of approximately 7.7% (the "**Market Average II**"), from a discount of approximately 32.0% to a premium of approximately 73.9% to/over the average VWAP of the last 10 trading days immediately preceding the date of agreement (the "**Market Range III**") with an average discount of approximately 9.4% (the "**Market Average III**"), from a discount of approximately 30.4% to a premium of approximately 72.8% to/over the average VWAP of the last 15 trading days immediately preceding the date of agreement (the "**Market Range IV**") with an average discount of approximately 9.8% (the "**Market Average IV**"), from a discount of approximately 29.3% to a premium of approximately 70.0% to/over the average VWAP of the last 20 trading days immediately preceding the date of agreement (the "**Market Range V**") with an average discount of approximately 9.7% (the "**Market Average V**") and from a discount of approximately 25.5% to a premium of approximately 64.0% to/over the average VWAP of the last 30 trading days immediately preceding the date of agreement (the "**Market Range VI**") with an average premium of approximately 9.2% (the "**Market Average VI**").

We note that the Issue Price represents a discount of approximately 14.3% to the closing price of the Shares as at the Last Trading Day (the "**Issue Price Discount I**"), a discount of approximately 13.9% to the average VWAP of the Shares for the last 5 trading days up to and including the Last Trading Day (the "**Issue Price Discount II**"), a premium of approximately 0.4% over the average VWAP of the Shares for the last 10 trading days up to and including the Last Trading Day (the "**Issue Price Premium I**"), a premium of approximately 9.7% over the average VWAP of the Shares for the last 15 trading days up to and including the Last Trading Day (the "**Issue Price Premium II**"), a premium of approximately 16.7% over the average VWAP of the Shares for the last 20 trading days up to and including the Last Trading Day (the "**Issue Price Premium III**") and a premium of approximately 24.8% over the average VWAP of the Shares for the last 30 trading days up to and including the Last Trading Day (the "**Issue Price Premium IV**").

As explained above in Section 6.1 "Review of historical price movement of the Shares", we observed that the share price of the Company increased from HK$4.44 on May 16, 2018 to HK$7.19 on May 31, 2018 following the release of 2018 Annual Results Announcement on May 16, 2018. Based on our discussion with the management of the Company, we understand that the increase in the share price may be attributable to market sentiment following the 2018 Annual Results Announcement. As the Announcement was made on May 29, 2018, approximately 13 days after the 2018 Annual Results Announcement was released, thus we are of the view that it is fair and reasonable that the Issue

Price is discounted to Market Average I, Market Average II, Market Average III and Market Average IV, being the closing price of the Shares as at the Last Trading Day, the average VWAP of the Shares for the last 5, 10 and 15 days up to and including the Last Trading Day, which covers the period of time between the 2018 Annual Results Announcement and the Announcement. On the other hand, the Issue Price is at a premium over the average VWAP of the Shares for the last 20 and 30 trading days up to and including the Last Trading Day which indicates that the Issue Price is fair and reasonable compared to the Share price in the long run to minimize the effect of the increase in Share price which may be attributable to the release of the 2018 Annual Results Announcement.

Given that (i) the Issue Price Discount I represents discount as compared to the premium of the Market Average I but within the Market Range I; (ii) the Issue Price Discount II represents discount as compared to the premium of the Market Average II but within the Market Range II; (iii) the Issue Price Premium I represents discount as compared to the premium of the Market Average III but within the Market Range III; (iv) the Issue Price Premium II represents discount as compared to the premium of the Market Average IV but within the Market Range IV; (v) the Issue Price Premium III represents premium as compared to the premium of the Market Average V and within the Market Range V; and (vi) the Issue Price Premium IV represents premium as compared to the premium of the Market Average VI and within the Market Range VI, we are of the view that the Issue Price is fair and reasonable to the Independent Shareholders in this regard.

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

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

Table 3: potential shareholding dilution effect of the Transaction

	As at the date of this circular		**Immediately after Completion**	
	Number of Shares	*%*	*Number of Shares*	*%*
Non-public Shareholders				
Controlling Shareholders				
Perfect Advance	4,420,628,008	44.89	4,420,628,008	37.86
Ali JK Nutritional Products Holding Limited	1,629,925,000	16.55	3,457,511,207	29.62
Directors of the Company	3,607,500	0.04	3,607,500	0.03
The directors of the subsidiaries of the Company	6,168,161	0.06	6,168,161	0.05
Public Shareholders	3,786,431,368	38.46	3,786,431,368	32.44
Total	9,846,760,037	100.00	11,674,346,244	100.00

As indicated in Table 3, the shareholding of public Shareholders will decrease from approximately 38.52% to approximately 32.49% immediately after Completion. Such potential dilution to the shareholdings of public Shareholders represents a dilution by absolute percentage amount of approximately 6.03% immediately after Completion.

Taking into account that:

(i) it is in the interests of the Company and the Shareholders to enter into the Proposed Acquisition;

(ii) the Consideration under the Share Purchase Agreement is fair and reasonable; and

(iii) the Issue Price is fair and reasonable to the Company and Shareholders as a whole,

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

8. Financial impact of the Proposed Acquisition

8.1 Effect on the net asset value ("NAV")

According to the 2018 Annual Results Announcement, NAV was approximately RMB2,523,057,000 as at March 31, 2018. Given the total net asset value of the Target Business was nil as of 31 March 2018, the Proposed Acquisition would not affect the asset base after consolidating the financial result of the Target Company into the consolidated financial statements of the Group upon Completion.

As the Group intends to fund the consideration by issuing the Consideration Shares, the capital base of the Group will be enlarged. At the same time, the reserves of the Company will also increase, hence the issuance of the Consideration Shares would not affect the NAV attributable to the Shareholders upon Completion.

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

8.2 Effect on the earnings

According to the 2018 Annual Results Announcement, the Group recorded revenue of approximately RMB2,442,618,000 and loss for the year ended March 31, 2018 was approximately RMB109,034,000.

As set out in Appendix II to this circular, the audited profit after tax of the Target Business for the year ended March 31, 2018 was RMB161,648,000. Therefore, as discussed in the Section 3 "Reasons for and benefits of the Proposed

Acquisition", it is expected that the Proposed Acquisition will create synergies between the Group and the Target Company, which may potentially enhance the earnings of the Group given the Target Group's consolidated net profit will be consolidated into the Enlarged Group.

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

8.3 Effect on the Group's cash and working capital

As disclosed in the 2018 Annual Results Announcement, the Group had net current assets of approximately RMB1,435,855,000 (including cash and cash equivalents of approximately RMB1,397,197,000) as at 31 March 2018. We understand from the management of the Company that the payment of the Consideration will be financed through issuing Consideration Shares.

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

In light of:

(a) no material impact on the NAV of the Group;

(b) a potential positive impact on the earnings of the Group; and

(c) no material adverse impact on the cash position and the working capital of the Group,

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

9. Background of the Framework Technical Services Agreement

Reference is made to the announcement of the Company dated May 29, 2018 in relation to, among other things, the Framework Technical Services Agreement and the continuing connected transactions contemplated thereunder.

Before the Proposed Acquisition, the Tmall Entities incurred costs to service the Target Merchants and provide the technical services and platform where they sold Target Products. Following Completion, while the WFOE will provide e-commerce platform maintenance related software services for the Target Products to the Target Merchants, the Tmall Entities, as the owner of Tmall.com, will continue to provide access to its e-commerce platform to the Target Merchants and incur operating costs for the provision of the technical services and the platform. The Tmall Entities and the

WFOE entered into the Framework Technical Services Agreement on May 28, 2018 to set out the terms of services to be provided by the Tmall Entities and the relevant Tmall Software Service Fees.

10. Major terms of the Framework Technical Services Agreement

Date: May 28, 2018

Parties:

(a) the WFOE; and

(b) the Tmall Entities

Term and termination: Subject to the approval of the Proposed Acquisition and the Framework Technical Services Agreement by the Independent Shareholders at the SGM, the term of the Framework Technical Services Agreement will commence on the day following Completion and end on March 31, 2021, unless otherwise mutually agreed between the parties. The parties will determine whether to renew the Framework Technical Services Agreement 60 days before it expires.

Services to be provided: Pursuant to the terms of the Framework Technical Services Agreement, after Completion, the Tmall Entities will continue to provide software technical services, including the following services:

(a) Software technical services: The Tmall Entities will provide software technical support to the WFOE or the Target Merchants as requested by the WFOE for the Tmall Software Service Fees. The software technical support includes product information display and search services on Tmall.com and related software technology services;

(b) Internet information services and secondary domain names: As the platform provider and operator, the Tmall Entities will provide Tmall.com and the secondary domain names to the Target Merchants as a platform for the Target Merchant's operation of business. The secondary domain name services being provided by the Tmall Entities will not be charged to the WFOE, Target Merchants or consumers for the time being; and

(c) Other services: The Tmall Entities may provide the Target Merchants with additional services including but not limited to marketing services and Merchant customer services. The Tmall Entities will not charge the WFOE for those services unless the WFOE requests such services where the parties will agree on a separate service fee.

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

Tmall Software Service Fee and annual caps

The WFOE shall pay the Tmall Software Service Fees to the Tmall Entities equal to 50% of the WFOE Software Service Fees received by the WFOE from the Target Merchants for transactions selling Target Products on Tmall.com and utilizing services provided by the Tmall Entities. The WFOE Software Service Fees are up to 3% of the value of completed sales of Target Products sold on Tmall.com and will be deducted from the receivables of the relevant Target Merchant and paid to the WFOE after a customer confirms the receipt of the products he or she purchases. The up to 3% WFOE Software Services Fees charged by the WFOE are calculated on the same basis as the software service fees currently charged by the Tmall Entities to the Target Merchants. The vice president of the finance department of the Company will cross-check the amount of the Tmall Software Service Fees being paid to the Tmall Entities on a monthly basis to ensure the accuracy of the amount.

The Tmall Software Service Fees shall be settled in cash on a monthly basis. The Tmall Software Service Fees are determined by reference to, among other things, the operating costs expected to be incurred by the Tmall Entities in providing the services including staff costs and technical support expenses.

The proposed monetary caps in respect of the fees payable to the Tmall Entities under the Framework Technical Services Agreement (the "**Proposed Payable Annual Caps**") for each of the financial years ending March 31, 2019, 2020 and 2021 are set out as follows:

	For the financial year ending March 31, 2019	**For the financial year ending March 31, 2020**	**For the financial year ending March 31, 2021**
	(in RMB)	*(in RMB)*	*(in RMB)*
Purchase of services from Tmall Entities under the Framework Technical Services Agreement	295,000,000	590,000,000	825,000,000

The Proposed Payable Annual Caps for the applicable period in respect of the Framework Technical Services Agreement were arrived at after considering the historical revenue of Tmall.com attributable to the Target Business for recent financial years (i.e. RMB132.87 million, RMB228.16 million and RMB438.33 million in the financial years ended March 31, 2016, 2017 and 2018, respectively), the projected revenue of Tmall.com for the Target Business, the Company's own projections for the Target Business based on projections for the growth of the overall healthcare market in China and the Company's marketing plans for enhancing the services that the Company seeks to provide to the Target Merchants.

The Proposed Payable Annual Caps increase by approximately 39.8% to 100.0% year-on-year during the three financial years ending March 31, 2021.

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

The Company has internal controls in place to monitor the implementation of the Proposed Payable Annual Caps under the Framework Technical Services Agreement, including a written policy which sets out the proper steps for escalating information regarding the usage of the proposed annual caps from the operating team to the executive officers, including monthly reports to the Company's chief executive officer, chief financial officer and general counsel and then to the independent non-executive directors where required.

For the Framework Technical Services Agreement, the Company's operating team will have day-to-day interaction with the Target Merchants and will be able to closely monitor applicable GMV on a weekly basis. The Framework Technical 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 transactions.

The Tripartite Agreements

In order to open a storefront on Tmall.com, each of the Target Merchants has accepted the terms of an Existing Target Merchant Contract. As part of the Business Restructuring, the Vendor has agreed to use all reasonable endeavors to procure each of (i) the Target Merchants and (ii) the Tmall Entities to enter into a Tripartite Agreement with the WFOE. The Tripartite Agreements are ancillary implementation agreements to the Framework Technical Services Agreement.

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

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

- tracking market trends and policy updates and updating Merchants on material policy updates;

- merchant business operation and management, including handling certain matters relating to signing and renewal of tripartite agreements with the Target Merchants and the Tmall Entities, reviewing product information and images displayed by Merchants, reviewing the documents required for Merchants' admission, formulating and implementing quality control rules and conducting regular inspections;

- merchant customer services, including providing helpline support for Merchants on the process of admission to 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;

- marketing event planning for Merchants, including planning and organizing marketing events for Merchants, organizing Merchants to participate in events, designing and building event webpage interfaces, planning customer discount programs and conducting consumer data analysis; and

- technical support, including providing technical support on product information display and store design, transaction completion processes, the use of payment tools, consumer service tools (such as the use of chat windows or complaints forms).

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

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

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

As stated in the Letter from the Board in the Circular, pursuant to the terms of the Framework Technical Services Agreement, after Completion, the Tmall Entities will continue to provide software technical services for the operation of Tmall.com, including (i) software technical services; (ii) Internet information services and secondary domain names; and (iii) other services that the Tmall Entities may provide the Target Merchants including but not limited to marketing services and Merchant customer services. In addition, from time to time the Tmall Entities may organize platform-wide promotional events in which they coordinate with the Merchants on Tmall.com, including the Target Merchants through the Company, to offer discounts to consumers over a period of time and implement a number of customer loyalty programs to encourage repeat shopping. The term of the Framework Technical Services Agreement will commence on the day following Completion and end on March 31, 2021, unless otherwise mutually agreed between the parties.

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

We note that the WFOE shall pay the Tmall Software Service Fees to the Tmall Entities equal to 50% of the WFOE Software Service Fees received by the WFOE from the Target Merchants for transactions selling Target Products on Tmall.com and utilizing services provided by the Tmall Entities. The WFOE Software Service Fees are up to 3% of the value of completed sales of Target Products sold on Tmall.com and will be deducted from the receivables of the relevant Target Merchant and paid to the WFOE after a customer confirms the receipt of the products he or she purchases. We understand from the discussion with the management of the Company that they have also taken into consideration factors such as the amount of work needed, efficiency and expertise of the services provided by the Tmall Entities and effectiveness of communication of the service providers in relation to the operating costs expected to be incurred by the Tmall Entities in providing the services including staff costs and technical support expenses before deciding on the revenue sharing arrangement.

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

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

In addition, we understand that the WFOE shall pay the Tmall Software Service Fees to the Tmall Entities equal to 50% of the WFOE Software Service Fees received by the WFOE from the Target Merchants for transactions selling Target Products on Tmall.com and utilizing services provided by the Tmall Entities. The Tmall Software Service Fees have been determined with reference to the historical costs incurred to the Tmall Entities to service the Target Merchants and provide the technical services and platform where they sold Target Products before the Proposed Acquisition. We have discussed with the management of the Company and reviewed related documents and noted that based on the historical figures of the last three years, the average percentage of the costs and expenses that would have been borne by the Tmall Entities if the Framework Technical Services Agreement had been in effect since April 1, 2015 would be in the range of 45% to 50%, hence we are of the view that it is reasonable for the Company to share half of the WFOE Software Service Fees received from the Target Merchants with the Tmall Entities to compensate the costs incurred by the Tmall Entities to provide technical services and platform to the Target Merchants. In terms of future business development of the Target Company, both the Tmall Entities and the Company (through the WFOE) will provide support to the Target Merchants, with the Company leveraging on its specialty in the healthcare industry to provide e-commerce platform maintenance related software services to the Target Merchants and the Tmall Entities continuing to provide software technical services for the operation of Tmall.com to the Target Merchants. Therefore, services provided by both parties are essential and value-added services that will benefit the Target Merchants and the Target Business in the future. As such, we believe it is fair for each of the two parties to receive half of the up to 3% WFOE Software Services Fees received from the Target Merchants.

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

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

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

In respect of the Proposed Payable Annual Caps, we understand that the annual caps were determined by reference to (i) the historical revenue of Tmall.com attributable to the Target Business for recent financial years (i.e. RMB132.87 million, RMB228.16 million and RMB438.33 million in the financial years ended March 31, 2016, 2017 and 2018, respectively); (ii) the projected revenue of Tmall.com for the Target Business; (iii) the Company's own projections for the Target Business based on projections for the growth of the overall healthcare market in China; and (iv) the Company's marketing plans for enhancing the services that the Company seeks to provide to the Target Merchants.

As mentioned above, the Proposed Payable Annual Caps in respect of the fees payable to the Tmall Entities under the Framework Technical Services Agreement are RMB295 million, RMB590 million and RMB825 million for each of the financial years ending March 31, 2019, 2020 and 2021, respectively.

In order to assess the fairness and reasonableness of the Proposed Payable Annual Caps, we have reviewed and discussed the relevant calculations with the management of the Company and understand from them that the Proposed Payable Annual Caps are arrived at mainly based on, *inter alia*, the anticipated sales of Target Products on Tmall.com, and the corresponding fees which the Target Business is projected to receive from the Target Merchants during the three years ending December 31, 2021.

The increase in the Proposed Annual Caps takes into account the management's anticipation of the expected growth in the revenue received from the Target Merchants, in other words, the expected growth for the sales of the Target Products on Tmall.com. GMV is a key operating metric for monitoring the operational performance of the Target Company. GMV of the Target Business is largely driven by the demand for Target Products in China, which is one of the world's largest and fastest growing healthcare markets. The rapid growth of the healthcare industry in China is significantly influenced by a number of factors including, but not limited to, the factors set out in Section 2 "Overview of China's e-commerce market, medical devices and healthcare products and services markets", hence, we concur with the management of the Company that China's medical devices and healthcare products and services e-commerce market will further experience a rapid expansion. As a result, the sales of the Target Products on Tmall.com will significantly increase and the WFOE Software Service Fees receivable from the Target Merchants and Tmall Software Service Fees payable to the Tmall Entities will increase proportionally. The more significant increase in the Proposed Payable Annual Cap for FY2020 as compared to FY2019 of approximately 100.0% has taken into consideration the fact that the Proposed Payable Annual Cap for FY2019 is not a full year figure because the Framework Technical Services Agreement will commence on the day following Completion, which is currently assumed to be on August 1, 2018. Hence the Proposed Payable Annual Cap for FY2019 only takes into account the sales of the Target Products for approximately 8 months instead of 12 months. In contrast, the Proposed Payable Annual Cap for the FY2021 increased by approximately 39.8% from that of FY2020.

We have further reviewed the projected revenue of Tmall.com for the Target Business, the Company's own projections for the Target Business based on projections for the growth of the overall healthcare market in China and the Company's marketing plans for enhancing the services that the Company seeks to provide to the Target Merchants. As disclosed in the Appendix II "Accountant's report of the Target Business", the audited revenue for the Target Business for the three years ended March 31, 2016, 2017 and 2018 are approximately RMB133 million, RMB228 million and RMB438 million, respectively, representing an annual increase of 71.4% and 92.1% over the period. Taking into consideration the historical revenue growth of Target Business, we are of the view that the projected revenue of Tmall.com for the Target Business is fair and reasonable and in line with the historical performance. After further reviewing and discussing with the management of the Company, we are of the view that the marketing plans provided by the management of the Company are fair and reasonable and in line with our independent research on the industry and our view on the development of China's medical devices and healthcare products and services e-commerce market.

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

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

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

13. Background of the Services Amendment Agreement

Reference is made to the announcements of the Company dated February 14, 2018 and May 29, 2018 and circular dated March 13, 2018 in relation to, among other things, the Renewed Services Agreement and the continuing connected transactions contemplated thereunder.

Under the Renewed Services Agreement, Alibaba Health Technology (China) agreed to provide the Tmall Entities with certain outsourced and value-added services in relation to the Relevant Categories offered in the pharmaceutical and healthcare products and services e-commerce business of Tmall.com and Tmall Supermarket. The Relevant Categories include, among other product categories and services, certain Target Products which relate to the Target Business that is proposed to be transferred to the Group under the Proposed Acquisition.

Following Completion, the Tmall Entities will no longer require the outsourced and value-added services provided under the Renewed Services Agreement relating to the Target Products on Tmall.com. Accordingly, Alibaba Health Technology (China) and the Tmall Entities have agreed to enter into the Services Amendment Agreement to amend the Relevant Categories in respect of which services are provided under the Renewed Services Agreement.

14. Major terms of the Services Amendment Agreement

Date:	May 28, 2018
Parties:	(a) Alibaba Health Technology (China); and
	(b) the Tmall Entities
Effective Date:	Subject to the approval of the Proposed Acquisition and the Services Amendment Agreement by the Independent Shareholders at the SGM, the amendments under the Services Amendment Agreement shall take effect on the day following Completion, unless otherwise mutually agreed between the parties.

Amendment to Renewed Services Agreement:	The definition of Relevant Categories for the purposes of the outsourced and value-added services provided by Alibaba Health Technology (China) to the Tmall Entities shall be amended and replaced by the following:
	"(a) in respect of the Tmall Supermarket, certain product categories or services offered on Tmall Supermarket, namely over-the-counter drugs, medical devices, family planning products, adult products, contact lenses, refined Chinese medicines such as Chinese medicinal drinks, prescription drugs (if available), traditional nutritional products, food supplements, dietary nutritional supplements, food supplements and dietary nutritional supplements, and (b) in respect of the Tmall.com, certain product categories or services offered on Tmall.com, namely over-the-counter drugs, refined Chinese medicines such as Chinese medicinal drinks, prescription drugs (if available), traditional nutritional products and dietary nutritional supplements, in each case of (a) and (b), for the avoidance of doubt, excludes all categories of products or services sold on or through Tmall Global."
	Other than the above amendments, the other terms of the Renewed Services Agreement shall remain the same.

Service fees and annual caps

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

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

The proposed monetary cap in respect of the fees payable by the Tmall Entities to the Group under the Renewed Services Agreement (the "**Proposed Receivable Annual Cap**", as amended by the Services Amendment Agreement) for the financial year ending March 31, 2019 is set out as follows:

	For the financial year ending March 31, 2019 *(in RMB)*
Provision of services to Tmall Entities under the Renewed Services Agreement	183,000,000

The Proposed Receivable Annual Cap in respect of the Renewed Services Agreement (as amended by the Services Amendment Agreement) was determined with reference to (i) the historical transaction amounts under the existing agreement (i.e. approximately RMB42.30 million and RMB124.42 million for the financial years ended March 31, 2017 and March 31, 2018); (ii) the revised scope of the Relevant Categories; (iii) the significant increase of more than 194% of the transaction amount for the year ended March 31, 2018 compared to that for the year ended March 31, 2017; (iv) the expected sales of products during the remaining months of the financial year ending March 31, 2019 following the year-on-year growth trend and boosted by the Group's increased marketing efforts; and (v) the potential of the future development of online healthcare products and services business in the PRC as shown by the rapid growth of the GMV for Tmall physical goods which recorded 43% year-on-year increase for the quarter ended December 31, 2017 and that rapid increase is expected in the GMV for pharmacy and healthcare e-commerce businesses.

Internal controls relating to the implementation of the Proposed Receivable Annual Cap

The Company has internal controls in place to monitor the implementation of the Proposed Receivable Annual Cap under the Renewed Services Agreement, including a written policy which sets out the proper steps for escalating information regarding the usage of the proposed annual caps from the operating team to the executive officers, including monthly reports to the Company's chief executive officer, chief financial officer and general counsel and then to the independent non-executive directors where required.

For the Renewed Services Agreement, the finance department of the Company has been collecting and will continue to collect information on the actual transactions conducted with the Tmall Entities, and the corresponding services fees for the outsourced and value-added services provided on a bi-weekly basis, and has been updating the legal department and the chief financial officer of the Company with such information in order for them to monitor these transaction amounts. As disclosed by the Company in its circular dated March

13, 2018, the Tmall Entities have agreed to allow the Company and its external auditors to access the information necessary to report on the non-exempt continuing connected transactions contemplated under the Renewed Services Agreement.

15. Reasons for and benefits of entering into the Services Amendment Agreement

Following Completion, the Tmall Entities will no longer require the outsourced and value-added services relating to the Target Products currently provided by Alibaba Health Technology (China) under the Renewed Services Agreement. The Company considers the Services Amendment Agreement is necessary to amend the Relevant Categories in respect of which services will be provided by Alibaba Health Technology (China) to the Tmall Entities following Completion. As such, we concur with the management of the Company that the annual caps under the Renewed Services Agreement which was entered into on February 14, 2018 and approved by Independent Shareholders at the special general meeting held on March 29, 2018 should be revised to reflect the changes of the Relevant Categories.

As stated in the Company's circular dated March 13, 2018 in relation to the Renewed Services Agreement, the original definition of Relevant Categories include certain product categories or services offered in the Tmall Pharmaceutical and Healthcare e-Commerce Business, namely (i) over-the-counter drugs, refined Chinese medicines such as Chinese medicinal drinks, medical devices, contact lenses and solutions, sexual health and family planning products, prescription drugs and medical and health services, traditional nutritional products, food supplements, dietary nutritional supplements on Tmall, which, for the avoidance of doubt, excludes all categories of products or services sold on or through Tmall Global, and (ii) food supplements, dietary nutritional supplements, offered on Tmall Supermarket.

We have discussed with the management of the Company and understand that after the Completion, the Target Company which holds the Target Business will become a direct wholly-owned Subsidiary of the Company, and the financial results of the Target Group will be consolidated into the Group's accounts. As such, Alibaba Health Technology (China) will no longer be providing the outsourced and value-added services to the Tmall Entities in relation to the Target Products under the Renewed Services Agreement. Therefore, it would be illogical for the Company to keep the Target Products under the definition of the original Relevant Categories.

In light of above, we concur with the management of the Company that it is necessary to enter into the Services Amendment Agreement to amend the Relevant Categories in respect of which services will be provided by Alibaba Health Technology (China) to the Tmall Entities following Completion.

RECOMMENDATION

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

(a) the Proposed Acquisition is in the ordinary and usual course of business and it is in line with the business strategy of the Group;

(b) completing the Proposed Acquisition will enhance the development of the businesses of the Group;

(c) the Consideration is fair and reasonable so far as the Independent Shareholders are concerned as compared to Comparable Companies;

(d) the Issue Price of the Consideration Shares is fair and reasonable so far as the Independent Shareholders are concerned;

(e) the Proposed Acquisition will have an overall potential positive financial effect on the Group and is in the interests of the Company and the Independent Shareholders as a whole;

(f) the entry into the Framework Technical Services Agreement with the Tmall Entities falls within the ordinary and usual course of business of the Group and is in the interests of the Group and the Shareholders as a whole;

(g) the Proposed Payable Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole;

(h) the entry into the Services Amendment Agreement with the Tmall Entities falls within the ordinary and usual course of business of the Group and is in the interests of the Group and the Shareholders as a whole; and

(i) the Proposed Receivable Annual Cap is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the above, we are of the view that the Share Purchase Agreement, the Framework Technical Services Agreement, the Services Amendment Agreement and the connected transactions contemplated thereunder are entered into in the interests of the Group's business development, are on normal commercial terms and in the ordinary course of business of the Group and the terms of the Share Purchase Agreement, the Framework Technical Services Agreement and the Services Amendment Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the SGM.

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

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

1. CONSOLIDATED FINANCIAL STATEMENTS

Audited financial information of the Group for each of the years ended March 31, 2018, March 31, 2017 and March 31, 2016 was disclosed in the following documents which have been published both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (http://www.irasia.com/listco/hk/alihealth).

(a) Annual report of the Company for the year ended March 31. 2016 (http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0718/LTN20160718601.pdf)

(b) Annual report of the Company for the year ended March 31, 2017 (http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0625/LTN20170625055.pdf); and

(c) Annual report of the Company for the year ended March 31, 2018 (http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0619/LTN201806191303.pdf).

2. INDEBTEDNESS STATEMENT

As at May 31, 2018, the Group did not have outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into account the internal resources and banking facilities available to the Group, the Group would have sufficient working capital for at least 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

"Healthy China (健康中國)" is a key strategy for the next stage of China's development. As China's medical and healthcare system reforms continued to intensify, medical and healthcare reform policies were rolled out successively. In 2017, the State Council cancelled the Type A, B and C licences for Internet drug trading, signifying China's relaxation of entry barriers to allow enterprises to expand into the pharmaceutical e-commerce sector more easily. In December 2017, the promulgation of the Measures for the Supervision and Administration of Online Sale of Medical Devices (《醫療器械網絡銷售監督管理辦法》) by the former CFDA provided a legal basis for the development of online sales of medical devices, facilitating the healthy and orderly development of the industry and the growth of compliant enterprises. The institutional reform of the State Council in March 2018 further rationalized the top-level structure for pharmaceutical and medical regulation. Based on the original three-pronged medical system, a high-level integration was undertaken to bring closely related functions that could create positive synergies together, laying a good foundation for further reforms. On April 12, 2018, it was determined at the executive meeting of the State Council that the development of "Internet + Healthcare" should be accelerated to improve the efficiency of medical services, so that patients could be subject to less running around and more people could share premium medical resources. First, the provision of online services such as consultation appointment booking and check-up results enquiry in class 2 or higher hospitals should be expedited and medical institutions should be allowed to start providing Internet-based medical services. Second, remote medical services should be developed to cover all medical associations and county-level hospitals, the allocation or sharing of premium medical resources in East China to meet the needs of central and western regions in China should be encouraged, and a dedicated Internet channel should be established to cater for the requirements of remote medical services. Third, "smart" review and approval of medical insurance claims and "one-stop" settlement should be promoted to create a complete standardized "Internet + Healthcare" system.

China's pharmaceutical market has been flourishing in a healthy and stable manner, driven by growth in GDP, greater spending power, an aging population, urbanization and upgrade of consumption structure. Despite increasingly intense competition, China's pharmaceutical distribution industry is expected to become more regulated and concentrated as medical reforms mainly aimed at the "separation of drug dispensation from drug prescription" continue to be implemented. There is huge room for growth and industrial integration in China's pharmaceutical distribution industry. In respect of medical and healthcare services, with the widening imbalance between the growing demands of citizens and the limited supply of medical and healthcare resources, the application of Internet and digital technologies (including remote medical treatment, digital healthcare products, big data, and AI) in the medical field presents new ways to improve diagnosis and treatment efficiency, facilitate personal health management and help prevent and diagnose disease at an earlier stage, to effectively mitigate such imbalance. The business opportunities brought about by various innovative models will also drive the future growth of the industry. Overall, the pharmaceutical and healthcare industry will be one of the sectors with the greatest growth potential in the future. This growth in the pharmaceutical and healthcare industry is also expected to have a positive impact on the revenue growth of the Target Business in the future.

As the pharmaceutical and healthcare flagship of Alibaba Holding, the Group, whose mission is to "make good health achievable at the fingertips", has been strengthening the foundation of its pharmaceutical and healthcare businesses and actively planning for its future. With the vision of "facilitating medicine through big data and using the Internet to change the face of healthcare to provide fair, affordable and accessible medical and healthcare services to 1 billion people", the Group has been striving and will continue to expand its healthcare product and service sales business, actively build up Internet-based medical services and personal health management platform, explore intelligent medicine by using AI and big data analysis technologies, and continue to develop its product tracking business.

The following is the text of the accountant's report set out on pages 72 to 73, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED

Introduction

We report on the historical financial information of the Target Business (as defined on page 78), set out on pages 74 to 90, which comprises the statements of financial position as at March 31, 2016, 2017 and 2018, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for each of the years then ended (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages 74 to 90 forms an integral part of this report, which has been prepared for inclusion in the circular of Alibaba Health Information Technology Limited (the "**Company**") dated July 16, 2018 (the "**Circular**") in connection with the proposed acquisition of the Target Business by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 2.1 and 2.2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of the Target Business for the Track Record Period ("**Underlying Financial Statements**"), on which the Historical Financial Information is based, were prepared by the directors of Zhejiang Tmall Technology Co. Ltd ("**Tmall Technology**") based on the previously issued financial statements and management accounts of Tmall Technology for the Track Record Period. The directors of Tmall Technology are responsible for the preparation of the previously issued financial statements of Tmall Technology that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and for such internal control as the directors of Tmall Technology determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 2.1 and 2.2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Target Business as at March 31, 2016, 2017 and 2018 and of its financial performance and its cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 2.1 and 2.2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
July 16, 2018

I HISTORICAL FINANCIAL INFORMATION OF THE TARGET BUSINESS

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018

		2016	**2017**	**2018**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	5	132,869	228,164	438,329
Cost of revenue		(15,445)	(53,759)	(136,895)
Gross profit		117,424	174,405	301,434
Selling and marketing expenses		(8,251)	(23,525)	(86,690)
General and administrative expenses		(9,936)	(16,175)	(28,235)
Profit before income tax	6	99,237	134,705	186,509
Income tax expense	8	(12,405)	(17,772)	(24,861)
Profit and total comprehensive income for the year attributable to owners		86,832	116,933	161,648

STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2016, 2017 AND 2018

	As of March 31,		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Total assets	—	—	—
Total liabilities	—	—	—
Net assets	—	—	—
Equity attributable to owners	—	—	—
Capital reserve	—	—	—
Retained earnings	—	—	—
Total equity	—	—	—

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MARCH 31, 2016, 2017 AND 2018

	Note	Capital reserve *RMB'000*	Retained earnings *RMB'000*	Total equity *RMB'000*
At April 1, 2015		—	—	—
Comprehensive income				
Profit and total comprehensive income for the year		—	86,832	86,832
Transaction with owners				
Share-based payment transaction				
— Value of employee services	9	1,373	—	1,373
— Recharge from owners		(1,373)	—	(1,373)
Distribution to owners		—	(86,832)	(86,832)
At March 31, 2016 and at April 1, 2016		—	—	—
Comprehensive income				
Profit and total comprehensive income for the year		—	116,933	116,933
Transaction with owners				
Share-based payment transaction				
— Value of employee services	9	1,640	—	1,640
— Recharge from owners		(1,640)	—	(1,640)
Distribution to owners		—	(116,933)	(116,933)
At March 31, 2017 and at April 1, 2017		—	—	—
Comprehensive income				
Profit and total comprehensive income for the year		—	161,648	161,648
Transaction with owners				
Share-based payment transaction				
— Value of employee services	9	1,975	—	1,975
— Recharge from owners		(1,975)	—	(1,975)
Distribution to owners		—	(161,648)	(161,648)
At March 31, 2018		—	—	—

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2016, 2017 and 2018

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities			
Cash received from customers	—	—	—
Cash paid to suppliers and employees	—	—	—
Cash generated from operating activities	—	—	—
Cash flows from investing activities	—	—	—
Cash flows from financing activities	—	—	—
Changes in cash and cash equivalents	—	—	—
Cash and cash equivalents at beginning of the year	—	—	—
Cash and cash equivalents at end of the year	—	—	—

There were no investing activities for the Target Business for the years ended March 31, 2016, 2017 and 2018.

Financing activities of the Target Business for the years ended March 31, 2016, 2017 and 2018 were non-cash transactions.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 Background and general information

The Target Business comprises (i) all merchant relationships with the merchants, who have obtained, or have proposed to obtain, permission from Tmall.com to sell Target Products (as defined below) on Tmall.com, regardless of whether any actual sales of Target Products (as defined below) have been made by such merchant on Tmall.com ("**Target Merchants**") and for the sales of Target Products (as defined below) on Tmall.com, which is operated by Zhejiang Tmall Technology Co. Ltd. ("**Tmall Technology**") and (ii) the employment relationships with the relevant marketing and operations personnel managing the relationships with the Target Merchants. The Target Products are defined as the following products and/or services sold on Tmall.com:

- the medical devices and healthcare products which comprise blood pressure monitors, blood glucometers, contact lenses, and other medical devices and healthcare products;
- the adult products which comprise sex toys, lubricants and other adult products; and
- the medical and healthcare services which comprise dental services, beauty services, physical examinations, prenatal inspections and other medical and healthcare services.

The Target Business is a business unit of Tmall Technology, which is a directly wholly-owned subsidiary of Taobao China Holding Limited, which in turn, is an indirectly wholly-owned subsidiary of Alibaba Group Holding Limited ("**Alibaba Group**"). Tmall Technology was incorporated on October 25, 2010 under the laws of People's Republic of China ("**PRC**") and the address of its registered office is No. 969 Wenyi West Road, Yuhang District, Hangzhou, PRC.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these historical financial information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of presentation

The historical financial information of the Target Business is presented as that is a reporting entity separate from Tmall Technology, Alibaba Health Information Technology Limited ("**AHITL**" or the "**Company**") and Alibaba Group. The Target Business is not a separate legal entity.

The historical financial information of the Target Business has been prepared using the financial information of Tmall Technology comprising the Target Business for each of the years ended March 31, 2016, 2017 and 2018. The net assets and results of the Target Business were derived from the existing book values from Tmall Technology's perspective.

All revenues and expenses specifically related to the Target Business were identified and included in the statement of comprehensive income. Major expenses for which specific identification methods were not practicable were allocated in accordance with the following allocation criteria to the statement of comprehensive income:

— Employee benefit expenses for the years ended March 31, 2016, 2017 and 2018 were calculated based on the employees directly engaged in the Target Business.

— For expenses other than employee benefit expenses, since specific identification methods are not practicable, cost of revenue of approximately RMB14,642,000, RMB20,879,000 and RMB41,101,000; selling and marketing expenses of RMB8,251,000, RMB23,525,000 and RMB86,690,000; and other operating expenses of RMB7,077,000, RMB12,829,000 and RMB24,100,000 were allocated to the Target Business for the years ended March 31, 2016, 2017 and 2018 respectively, according to ratio of service fee revenue of Target Business to the total service fee revenue of Tmall Technology or headcounts of Target Business to the total headcounts of Tmall Technology.

— Income tax expenses were charged at applicable tax rates under Enterprise Income Tax ("**EIT**") in the PRC. Preferential tax rates are granted when certain conditions are met. EIT rates applied for the years ended March 31, 2016, 2017 and 2018 are disclosed in Note 8.

Management of the Target Business considers that the above method of allocation and presentation provides the fairest approximation of the amounts attributable to the historical financial information of the Target Business for the years ended March 31, 2016, 2017 and 2018.

All revenue and expenses of the Target Business are recharged or settled through intercompany balances with Tmall Technology. The related party transactions are disclosed in Note 10.

Management of the Target Business believes the assumptions underlying the historical financial information are reasonable. However, the historical financial information may not necessarily reflect the results of operations, financial position and cash flows of the Target Business in the future or what its results of operations, financial position and cash flows would have been had the Target Business operated as a stand-alone entity during the years. The historical financial information should not be construed as indicative of the financial performance of the Target Business in any future period.

For the purpose of presenting the historical financial information, the Target Business transferred non-cash surpluses to Tmall Technology amounting to RMB86,831,720, RMB116,932,725 and RMB161,647,580 for the years ended March 31, 2016, 2017 and 2018 respectively, which were equal to the net assets of the Target Business as at March 31, 2016, 2017 and 2018, and were deemed to be distributed.

2.2 Basis of preparation

The historical financial information of the Target Business have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants. The historical financial information have been prepared under the historical cost convention.

The preparation of the historical financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management of the Target Business to exercise its judgement in the process of applying the accounting policies of the Target Business. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the historical financial information, are disclosed in Note 4.

New and amended standards not yet adopted

The following new standards and amendments to standards are effective for annual periods beginning on or after April 1, 2018 and have not been applied in preparing these historical financial information:

HKFRS 9 and amendments to HKFRS 9(1)	Financial Instruments
HKFRS 15 and amendments to HKFRS 15(1)	Revenue from Contracts with Customers
Amendments to HKAS 40(1)	Transfer of Investment Property
Amendments to HKFRS 2(1)	Classification and Measurement of Share-based Payment Transactions
Annual improvements 2014–2016 cycle(1)	Improvements to HKFRSs
HKFRS 16(2)	Leases
Amendments to HKAS 28(2)	Long-term Interests in Associates and Joint Ventures
Annual improvements 2015–2017 cycle(2)	Improvements to HKFRSs
HKFRS 17(3)	Insurance Contracts
Amendments to HKFRS 10 and HKAS 28(4)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(1) Effective for annual periods beginning on or after January 1, 2018

(2) Effective for annual periods beginning on or after January 1, 2019

(3) Effective for annual periods beginning on or after January 1, 2021

(4) Effective date to be determined

Management of the Target Business' assessment of the impact of these new standards and interpretations is set out below.

HKFRS 9 "Financial Instruments"

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Management of the Target Business currently believes that the adoption of HKFRS 9 will not have significant impact to the Target Business's financial position, results of operations and cash flows. The Target Business will apply the new guidance for fiscal years beginning on or after April 1, 2018.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 will replace HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations. HKFRS 15 requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance is required to be applied either retrospectively to each prior reporting period presented (the "**full retrospective method**") or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the "**modified retrospective method**").

Management of the Target Business currently believes that the adoption of HKFRS 15 will not have significant impact to the Target Business's financial position, results of operations and cash flows. The Target Business will apply the new guidance, using the modified retrospective method, for fiscal years beginning on or after April 1, 2018.

HKFRS 16 "Leases"

The adoption of HKFRS 16 will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

Management of the Target Business currently believes that the adoption of HKFRS 16 will not have significant impact to the Target Business's financial position, results of operations and cash flows. The Target Business will apply the new guidance for fiscal years beginning on or after April 1, 2019.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Target Business in the current or future reporting periods and on foreseeable future transactions.

2.3 *Foreign currency translation*

Items included in the historical financial information are measured using the currency of the primary economic environment in which the Target Business operates ("**the functional currency**"). The historical financial information are presented in RMB, which is the Target Business' functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognized in the statement of comprehensive income.

2.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Target Business recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Target Business; and when specific criteria have been met for the activities of the Target Business, as described below.

The Target Business earns service fees from merchants when sales of Target Products are completed on Tmall.com. Such service fees are generally determined as a percentage based on the value of merchandise and services being sold by the merchants. Revenue related to service fees is recognized in the statement of comprehensive income at the time when the underlying transaction is completed.

2.5 Employee benefits

(a) Pension obligations

Tmall Technology participates in defined contribution plans organized by relevant government authorities for its employees in the PRC and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

A defined contribution plan is a pension plan under which Tmall Technology pays fixed contributions into a separate entity. Tmall Technology has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. For certain other defined contribution plans, Tmall Technology pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Target Business has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Bonus plans

The Target Business recognizes a liability and an expense for bonuses. The Target Business recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(d) Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

(e) Share-based payments

Alibaba Group operates certain equity-settled share-based compensation plans. The grant by Alibaba Group of share awards over its equity instruments to the employees of the Target Business is treated as a capital contribution. An expense for the grant date fair value of the share awards is recognized over the vesting period, and a credit is recognized in capital reserve under equity.

At the end of each reporting period, the estimate of the number of the share awards that are expected to vest is revised. The impact of the revision of original estimates, if any, is recognized in the profit and loss over the remaining vesting period. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of these share awards that become vested.

Tmall Technology recharges the Target Business in respect of the share awards granted to the employees of the Target Business. The full amount of the recharge is recognized in capital reserve under equity over the vesting period.

2.6 Current income tax

The current income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the country where the Target Business operates and generates taxable income. Management of the Target Business periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.7 Distribution

Distribution to owners of the Target Business is recognised as a liability in the historical financial information of the Target Business in the year in which the distribution is requested by Tmall Technology.

3 Financial risk management

3.1 Financial risk factors

Activities of the Target Business do not expose it to significant financial risk. The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Target Business. Management of the Target Business regularly monitors the exposures and implements timely and effective policies to mitigate potential risks.

As at March 31, 2016, 2017 and 2018, Target Business did not have material exposure to market risk nor liquidity risk. Target Business entered into transactions substantially in RMB, which is its functional currency.

3.2 Capital risk management

Management of the Target Business regards total equity attributable to owners as the capital of the Target Business. The objective of management of the Target Business when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for its owners. The Target Business obtains its funding from its owners.

4 Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management of the Target Business makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Allocation basis of expenses

The nature of historical financial information requires management of the Target Business to make estimates of reasonable allocation bases for expenses shared with other business units within Tmall Technology. These allocations were performed on a manner deemed reasonable by management of the Target Business and are explained in the basis of presentation in Note 2.1 of these historical financial information. Different allocation bases could have resulted in different outcome.

5 Revenue

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Service fee revenue	132,869	228,164	438,329

6 Expenses by nature

Expenses included in cost of revenue, selling and marketing expenses, and general and administrative expenses are analysed as follows:

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Service fees to AHITL *(Note 10)*	—	31,773	94,065
Marketing expenses	8,251	23,525	86,690
Payment processing fees *(Note 10)*	9,325	14,769	26,472
Traffic acquisition costs	2,076	1,636	5,063
Depreciation recharges	1,810	2,914	4,967
Customer service costs	355	2,184	4,640
Employee benefit expenses *(Note 7)*	2,945	3,437	4,241
Co-location and bandwidth costs	908	1,228	1,755
Sales taxes and surcharges	803	1,107	1,729
Other expenses	7,159	10,886	22,198
	33,632	93,459	251,820

7 Employee benefit expenses

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Wages and salaries	1,213	1,414	1,848
Share-based payments *(Note 9)*	1,373	1,640	1,975
Pension costs — defined contribution plans	273	292	312
Staff welfare and other benefits	86	91	106
Total employee benefit expenses	2,945	3,437	4,241

8 Income tax expense

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Current income tax expense	12,405	17,772	27,976
Over-provision for current tax of prior periods	—	—	(3,115)
Total current income tax expense	12,405	17,772	24,861

The tax on profit before tax of the Target Business differs from the theoretical amount that would arise using the statutory EIT rate as follows:

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	99,237	134,705	186,509
Tax calculated at the statutory EIT rate of 25%	24,809	33,676	46,627
Tax effect of tax reduction and preferential tax benefit	(12,404)	(15,904)	(18,651)
Over-provision for current tax of prior periods	—	—	(3,115)
Tax charge	12,405	17,772	24,861

The Target Business was controlled by and operated as a business unit of Tmall Technology which was recognized as a Software Enterprise and was thereby entitled to an income tax exemption for two years beginning from its first profitable taxation year of 2012, and a 50% reduction for the subsequent three years starting from the taxation year of 2014. Accordingly, Tmall Technology was entitled to an EIT rate of 12.5% during the taxation year of 2016.

Also, as Tmall Technology has qualified as High and New Technology Enterprise, EIT rate of 15% was applied for the taxation years of 2017 and 2018.

In addition, a duly recognized Key Software Enterprise within China's national plan can enjoy a preferential EIT rate of 10%. The Key Software Enterprise status is subject to review by the relevant authorities every year. The timing of the annual review and notification by the relevant authorities may vary from year to year, and the related tax adjustments in relation to the change in applicable EIT rate as a result of notification of qualification are accounted for in the period in which the Key Software Enterprise status is recognized and notified.

Tmall Technology obtained notification of recognition as a Key Software Enterprises for the taxation year of 2016 during the year ended March 31, 2018. Accordingly, Tmall Technology, which had applied an EIT rate of 12.5% for the taxation year of 2016, reflected the reduction in tax rate to 10% for the taxation year of 2016 during the year ended March 31, 2018.

The annual review and notification relating to the renewal of the Key Software Enterprises status for the taxation year of 2017 has not yet been obtained as of March 31, 2018. Accordingly, Tmall Technology continued to apply an EIT rate of 15% for the taxation year of 2017 as High and New Technology Enterprises.

No Hong Kong profits tax was provided for the years ended March 31, 2016, 2017 and 2018, as there was no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

For the years ended March 31, 2016, 2017 and 2018, the Target Business used the same EIT rates as Tmall Technology in computing its income tax expenses.

9 Share-based payments

Employees of the Target Business participate in the share-based compensation plans of Alibaba Group. Restricted share units ("**RSUs**") under the plans are granted to employees of the Target Business to acquire shares of Alibaba Group, and they are in general subject to a four-year vesting schedule whereby the RSUs vest either 25% upon the first anniversary of employment or 50% upon the second anniversary of employment since the vesting commencement date, and rateably annually thereafter. The employees participating in the plan must remain employed by the Target Business during the vesting period.

Movements in the number of RSUs outstanding and their respective weighted average grant date fair value attributable to employees of the Target Business as grantees during the years ended March 31, 2016, 2017 and 2018 were as follows:

	2016		2017		2018	
	Average grant date fair value *(Note)* *US$*	**Number of RSUs** *(thousands)*	**Average grant date fair value** *(Note)* *US$*	**Number of RSUs** *(thousands)*	**Average grant date fair value** *(Note)* *US$*	**Number of RSUs** *(thousands)*
At April 1	85.35	5,254	91.34	6,670	100.36	4,800
Granted	146.07	3,600	77.16	1,450	68.18	1,870
Vested	88.79	(2,031)	95.13	(2,866)	—	—
At March 31	116.37	6,823	85.36	5,254	91.34	6,670

Note:

Grant date fair value represented the fair value of each ordinary share of Alibaba Group at the time of grant of the RSUs, which is measured at observable closing market price on the New York Stock Exchange.

Expected dividend yield is assumed to be 0% as Alibaba Group has no history or expectation of paying a dividend on its ordinary shares.

10 Related party transactions

The Target Business is controlled by and operated as a business unit of Tmall Technology, which is indirectly wholly-owned by Alibaba Group. The ultimate holding company of the Target Business is Alibaba Group.

In addition to those disclosed elsewhere in the historical financial information, the following transactions were carried out with related parties:

(a) Purchases of services

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Payment processing fees to Alipay.com Co., Ltd ("**Alipay**") *(Note (i))*	9,325	14,769	26,472
Service fees to AHITL *(Note (ii))*	—	31,773	94,065

Notes:

(i) Tmall Technology and Alipay, a related party of Alibaba Group, entered into a Commercial Agreement in 2011 whereby Tmall Technology receives payment processing services in exchange for payment processing fees to Alipay. Payment processing fee is charged based on the amount of gross merchandise value transacted on Tmall.com multiplied by a fee rate. The fee rate is subject to review and approval by Alibaba Group's independent committee on an annual basis. Such fees are allocated to the Target Business in accordance with the ratio of service fee revenue of the Target Business to the total service fee revenue of Tmall Technology.

(ii) On August 22, 2016, Tmall Technology and AHITL have entered into a services agreement pursuant to which the AHITL shall provide certain outsourced and value-added services to Tmall Technology and since then Tmall Technology shall pay AHITL a service fee amounting to 21.5% of the fees paid by the merchants to Tmall Technology in respect of the value of completed sales of products or services under the relevant categories on Tmall.com.

(b) Key management compensation

Key management of the Target Business includes directors of Tmall Technology. No compensation was paid or payable to the key management for employee services of the Target Business for the years ended March 31, 2016, 2017 and 2018.

(c) Transaction with Tmall Technology

The Target Business recharged all revenue and settled all expenses through intercompany balances with Tmall Technology that Tmall Technology received all service fee revenue and settled all expenses on the Target Business' behalf. The Target Business did not have any asset nor liability balance arising from contractual relationships with other third parties as at March 31, 2016, 2017 and 2018.

11 Commitments and contingencies

The Target Business did not have any contingent liabilities as at March 31, 2016, 2017 and 2018.

12 Events after the reporting period

There are no significant events or situations to report that took place after the reporting date that could have affected in a material manner the preparation of this historical financial information or required additional disclosure.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Tmall Technology or the Target Business in respect of any period subsequent to March 31, 2018 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by Tmall Technology or the Target Business in respect of any period subsequent to March 31, 2018.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction to the unaudited pro forma financial information of the Enlarged Group

The accompanying unaudited pro forma financial information of the Enlarged Group (as defined in this circular) has been prepared by the Directors (as defined in this circular) in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, to illustrate the impact of the Proposed Acquisition (as defined in this circular) as detailed in the section headed "Letter from the Board" in this circular on the financial position of the Group.

For the purpose of the Proposed Acquisition, the Target Company (as defined in the circular) will hold the Target Business (as defined in the circular) through the WFOE (as defined in the circular). Upon the completion of the Proposed Acquisition, the aggregate consideration of the Proposed Acquisition will be satisfied by the Company issuing 1,827,586,207 consideration shares and the Company will acquire the entire issued share capital of the Target Company.

The unaudited pro forma combined statement of financial position of the Enlarged Group has been prepared based on (i) the audited consolidated statement of financial position of the Group as at March 31, 2018 as extracted from the consolidated financial statements of the Group for the year ended March 31, 2018 as set out in Appendix I to this circular, and (ii) the audited statement of financial position of the Target Business as at March 31, 2018 as extracted from the accountants' report on the Target Business as set out in Appendix II to this circular, after making pro forma adjustments to the Proposed Acquisition, as if the Proposed Acquisition had been completed and the Target Business had been held by the Target Company on March 31, 2018.

The unaudited pro forma financial information of the Enlarged Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information. As it is prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of financial position of the Enlarged Group that would have been attained had the Proposed Acquisition completed on the date indicated herein or at any future dates. Further, the accompanying unaudited pro forma financial information of the Enlarged Group does not purport to predict the future financial position of the Enlarged Group after completion of the Proposed Acquisition.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the audited consolidated financial statements of the Group for the year ended March 31, 2018 as set out in Appendix I to this circular and the accountants' report of the Target Business as set out in Appendix II to this circular, and other financial information included elsewhere in this circular.

Unaudited Pro Forma Combined Statement of Financial Position of the Enlarged Group

	The Group as at 31 March 2018 *RMB'000* *(Note 1)*	The Target Business as at March 31, 2018 *RMB'000* *(Note 2)*	Unaudited Pro Forma Adjustment *RMB'000*	*Notes*	Unaudited Pro Forma combined total of the Enlarged Group as at March 31, 2018 *RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	6,274	—	—		6,274
Goodwill	19,123	—	—		19,123
Investment in the Target Business	—	—	5,711,335	3	5,711,335
			(5,711,335)	4	(5,711,335)
Investments in joint ventures	62,593	—	—		62,593
Investments in associates	950,973	—	—		950,973
Long-term receivables	55,921	—	—		55,921
Total non-current assets	1,094,884	—	—		1,094,884
CURRENT ASSETS					
Inventories	442,231	—	—		442,231
Trade receivables	91,373	—	—		91,373
Prepayments, deposits and other receivables	78,924	—	—		78,924
Financial assets at fair value through profit or loss	4,100	—	—		4,100
Restricted cash	2,268	—	—		2,268
Cash and cash equivalents	1,397,197	—	—		1,397,197
Total current assets	2,016,093	—	—		2,016,093
CURRENT LIABILITIES					
Trade payables	323,310	—	—		323,310
Other payables and accruals	137,629	—	—		137,629
Deferred revenue	716	—	—		716
Advance from customers	111,160	—	—		111,160
Tax payable	7,423	—	—		7,423
Total current liabilities	580,238	—	—		580,238
NET CURRENT ASSETS	1,435,855	—	—		1,435,855
TOTAL ASSETS LESS CURRENT LIABILITIES	2,530,739	—	—		2,530,739
NON-CURRENT LIABILITIES					
Deferred tax liabilities	7,682	—	—		7,682
Total non-current liabilities	7,682	—	—		7,682
NET ASSETS	2,523,057	—	—		2,523,057
EQUITY					
Equity attributable to owners of the Company					
Share capital	86,617	—	14,645	3	101,262
Treasury shares	(5,474)	—	—		(5,474)
Reserves	2,499,105	—	(14,645)	3/4	2,484,460
	2,580,248	—	—		2,580,248
Non-controlling interests	(57,191)	—	—		(57,191)
Total equity	2,523,057	—	—		2,523,057

Notes:

1. The figures are extracted from the audited consolidated financial statements of the Group for the year ended March 31, 2018 as set out in Appendix I to the circular.

2. The figures are extracted from the accountants' report of the Target Business as set out in Appendix II to the circular.

3. For the purpose of the Unaudited Pro Forma Financial Information of the Enlarged Group, the closing price of HK$3.90 per share in the Company as quoted on The Stock Exchange of Hong Kong Limited on March 29, 2018, being the last full trading day of the shares of the Company before March 31, 2018, was used for the calculation of the fair value of the consideration shares, as if the Proposed Acquisition had been completed on March 31, 2018. However, the fair value of the consideration shares issued as consideration for the Proposed Acquisition of HK$7,127,586,000 (equivalent to approximately RMB5,711,335,000) and used for the purpose of the preparation of the unaudited pro forma financial information set out above may be substantially different from the fair value based on share price of the Company on the actual completion date of the Proposed Acquisition, being the date the Company obtains control over the Target Business.

   Upon the issuance of the 1,827,586,207 consideration shares by the Company in connection with the Proposed Acquisition at value of approximately HK$7,127,586,000, the share capital and the reserves of the Company will be increased by approximately HK$18,276,000 (equivalent to approximately RMB14,645,000) and approximately HK$7,109,310,000 (equivalent to approximately RMB5,696,690,000), respectively.

4. The acquisition of the Target Business is accounted for using the pooling of interests method in the unaudited pro forma financial information of the Enlarged Group as both the Company and the Target Business are under common control of Alibaba holding before and after the Completion. As disclosed in the section headed "Letter from the Board" in this circular, as at March 31, 2018, the net asset value of the Target Business was nil.

   The difference of RMB5,711,335,000 between the consideration transferred by the Company and the net assets of the Target Business received is recorded as a deduction of reserves upon the elimination of the Company's investment in the Target Business. Reserves of the Company showed net decrease of RMB14,645,000, being increased as aforesaid of RMB5,696,690,000 upon issuance of the Consideration Shares and deducted by RMB5,711,335,000 upon the elimination of the Company's investment in the Target Business.

(B) ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of incorporation in this circular.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Alibaba Health Information Technology Limited (the "Company")

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Alibaba Health Information Technology Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma combined statement of financial position as at March 31, 2018 and related notes as set out on page 93 of the circular of the Company dated July 16, 2018 (the "**Circular**") (the "**Unaudited Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed major transaction in relation to acquisition of the entire issued share capital of the Target Company (as defined in the Circular) by the Company (the "**Proposed Acquisition**") on the Group's financial position as at March 31, 2018 as if the Proposed Acquisition had been completed and the Target Business (as defined in the Circular) had been held by the Target Company on March 31, 2018. As part of this process, information about the Group's financial position as at March 31, 2018 has been extracted by the Directors from the Group's audited consolidated financial statements for the year ended March 31, 2018, which has been published and set out in Appendix I to the Circular. Information about the financial position of the Target Business as at March 31, 2018 has been extracted by the Directors from the accountants' report on the Target Business as set out in Appendix II to the Circular.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**Accounting Guideline 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Proposed Acquisition on unadjusted financial information of the Group as if the Proposed Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition and the Framework Technical Services Agreement would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Proposed Acquisition, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and

- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Proposed Acquisition in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Company; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

July 16, 2018

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS' INTERESTS OR SHORT POSITIONS IN EQUITY SECURITIES

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

Long Position in Shares

Name of Director	Nature of interest	Total interest in Shares	% of the existing issued Shares
Mr. SHEN Difan	Equity derivative interest(1)	9,360,000	0.10%
Mr. WANG Lei	Beneficial, equity derivative interest(2)	15,150,000	0.15%
Mr. WU Yongming	Beneficial owner	1,262,000	0.01%
Mr. KANG Kai	Beneficial, equity derivative interest(3)	296,000	0.00%

Notes:

(1) Subject to vesting, Mr. SHEN Difan was interested in 9,360,000 shares underlying the 8,190,000 options and 1,170,000 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 (the "**Share Award Scheme**").

(2) Subject to vesting, Mr. WANG Lei was interested in 2,271,500 ordinary shares and 12,878,500 shares underlying the 8,632,000 options and 4,246,500 restricted share units granted to him in accordance with the Share Award Scheme.

(3) Subject to vesting, Mr. KANG Kai was interested in 74,000 ordinary shares and 222,000 shares underlying the 222,000 restricted share units granted to him in accordance with the Share Award Scheme.

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. SHEN Difan	Alibaba Holding	Beneficial, equity derivative interests and interests of spouse(1)	43,725	0.00%
Mr. WANG Lei	Alibaba Holding	Beneficial, equity derivative interests and interests of spouse(2)	251,390	0.01%
		Beneficiary of a trust(3)	20,000	0.00%
Mr. KANG Kai	Alibaba Holding	Beneficial and equity derivative interest(4)	16,449	0.00%
Ms. ZHANG Yu	Alibaba Holding	Beneficial and equity derivative interest(5)	73,396	0.00%
Mr. WU Yongming	Alibaba Holding	Beneficial and interests of spouse(6)	231,017	0.01%
		Interests in controlled corporation(7)	200,000	0.01%
		Founder of a discretionary trust(8)	6,463,690	0.26%

Notes:

1. It represents 21,064 ordinary shares or underlying ordinary shares and 13,000 restricted share units beneficially held by Mr. SHEN Difan and 9,661 ordinary shares or underlying shares and restricted share units held by his spouse.

2. It represents 44,517 ordinary shares or underlying ordinary shares and 2,500 restricted share units and 200,000 investment units beneficially held by Mr. WANG Lei and 4,373 ordinary shares or underlying shares and restricted share units held by his spouse.

3. It represents 20,000 ordinary shares or underlying ordinary shares held by a private trust whereby Mr. WANG Lei and his family are beneficiaries.

4. It represents 6,324 ordinary shares or underlying ordinary shares and 10,125 restricted share units beneficially held by Mr. KANG Kai.

5. It represents 19,662 ordinary shares or underlying ordinary shares and 53,734 restricted share units beneficially held by Ms. ZHANG Yu.

6. It represents 31,017 ordinary shares held by Mr. WU Yongming, and 200,000 ordinary shares held by his spouse.

7. It represents 200,000 ordinary shares or underlying ordinary shares held by Plus Force Enterprise Ltd. (which is wholly owned by Mr. WU Yongming).

8. It represents 6,463,690 ordinary shares or underlying ordinary shares held by Mr. WU Yongming through two private trusts whereby he is the founder of the discretionary trusts.

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

Interests of Directors as Director or Employee of a substantial shareholder or any Subsidiaries of a substantial shareholder

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

— Mr. WU Yongming was a senior vice president of Alibaba Group and a special assistant to the chairman of the board of directors of Alibaba Holding;

— Mr. KANG Kai was a director (總監) of Tmall and the head of the pharmaceutical and healthcare products and services e-commerce business of Tmall;

— Ms. ZHANG Yu was a vice president of finance of Alibaba Group and the financial controller (財務負責人) and supervisor (監事) of various subsidiaries of Alibaba Holding;

— Mr. WANG Lei was a vice president of Alibaba Group and the chief executive officer of Ele.me, a subsidiary of Alibaba Holding; and

— Mr. SHEN Difan 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, 2018, the date to which the latest published audited financial statements of the Group were made up; and, except for any perceived material interest in transactions between members of Alibaba Group and the Company due to their role as employees of Alibaba Holding or its Subsidiaries, none of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

4. SERVICE CONTRACTS

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

5. COMPETING INTERESTS

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

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

6. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group in the two years immediately preceding the Latest Practicable Date and are or may be material:

(a) the capital increase agreement dated May 19, 2017 entered into by Hongyun Jiukang Data Technology (Beijing) Company Limited* (弘雲久康數據技術(北京)有限公司) ("**Hongyun Jiukang**") (a subsidiary of the Company), Mr. Xia Jun, SAIF II Mauritius (China Investment) Limited, Digital China (China) Limited* (神州數碼(中國)有限公司), Beijing Hemei Jiahe Investment Management Center (Limited Partnership)* (北京和美嘉和投資管理中心(有限合夥)), Mr. Wang Qing, Beijing Qiming Innovation Venture Capital Investment Center (Limited Partnership)* (北京啟明創科創業投資中心(有限合夥)), CITIC M&A Investment Fund (Shenzhen) Partnership Enterprise (Limited Partnership)* (中信併購投資基金(深圳)合夥企業(有限合夥)), Mr. Ren Yong, Mr. Luo Lin, Beijing Linghang Dongli Technology Investment Center (Limited Partnership)* (北京領航動力科技投資中心(有限合夥)), Xinjiang Beichen Dexin Equity Investment Limited Partnership Enterprise* (新疆北辰德信股權投資有限合夥企業), Shanghai Qingke Gongchuang Investment Partnership Enterprise (Limited Partnership)* (上海清科共創投資合夥企業(有限合夥)), Ordos Qingke Lanhai Equity Investment Management Centre (Limited Partnership)* (鄂爾多斯市清科瀾海股權投資管理中心(有限合夥)) and Jiahe Meikang (Beijing) Technology Co., Ltd* (嘉和美康(北京)科技股份有限公司) ("**Jiahe Meikang**") in respect of the injection of RMB291,176,470.59 in cash by Hongyun Jiukang into the registered capital of Jiahe Meikang;

(b) the capital increase agreement dated May 19, 2017 entered into by Hongyun Jiukang (a subsidiary of the Company), Mr. Xia Jun, Mr. Wang Qing, Mr. Ren Yong, Beijing Jiahe Meikang Information Technology Co., Ltd* (北京嘉和美康信息技術有限公司) and Beijing Jiamei Online Technology Co., Ltd* (北京嘉美在線科技有限公司) ("**Jiamei**") in respect of the injection of RMB40,000,000 in cash by Hongyun Jiukang into the registered capital of Jiamei;

(c) the share purchase agreement dated May 18, 2017 entered into between the Company and the Vendor in respect of the sale and purchase of the entire issued share capital of Ali JK Nutritional Products Limited, in respect of which the consideration was HK$3,800,000,000, which was satisfied by the issue of 1,187,500,000 Shares by the Company to the Vendor;

(d) the subscription agreement dated November 17, 2017 entered into between the Company and the Vendor in respect of the subscription of 442,425,000 Shares by the Vendor for a total subscription price of US$226,597,011.49;

(e) the Share Purchase Agreement;

(f) the capital increase agreement dated June 1, 2018 entered into between Hongyun Jiukang (a subsidiary of the Company), Shanghai Yunxin Venture Capital Co., Ltd.* (上海雲鑫創業投資有限公司) ("**Shanghai Yunxin**"), Hangzhou Yunting Data Technology Company Limited* (杭州雲庭數據科技有限公司) ("**Hangzhou Yunting**") and Zhejiang Bian Que Health Data Technology Co., Ltd* (浙江扁鵲健康數據技術有限公司) ("**Bian Que**") (a subsidiary of the Company) in respect of the injection of RMB40 million in cash by Shanghai Yunxin and RMB15 million in cash by Hangzhou Yunting, respectively into the registered capital of Bian Que; and

(g) the capital increase agreement dated June 25, 2018 entered into between Alibaba Health Technology (China) (a subsidiary of the Company), ShuYu Civilian Pharmacy Corp. Ltd.* (漱玉平民大藥房連鎖股份有限公司) ("**ShuYu**"), Mr. Li Wenjie, Ms. Qin Guangxia, Jinan Shuyu Jinyun Investment Partnership Enterprise (Limited Partnership)* (濟南漱玉錦雲投資合夥企業(有限合夥)), Jinan Shuyu Tongcheng Investment Partnership Enterprise (Limited Partnership)* (濟南漱玉通成投資合夥企業(有限合夥)), Jinan Shuyu Jinyang Investment Partnership Enterprise (Limited Partnership)* (濟南漱玉錦陽投資合夥企業(有限合夥)), Nanjing Huatai Big Healthcare No. 1 Equity Investment Partnership Enterprise (Limited Partnership)* (南京華泰大健康一號股權投資合夥企業(有限合夥)) and Nanjing Daoxing Investment Management Center* (南京道興投資管理中心) (普通合夥)) in respect of the injection of RMB454,400,000 in cash by Alibaba Health Technology (China) into the registered capital of ShuYu.

7. LITIGATION

As at the Latest Practicable Date, none of the members of the Group were engaged in any litigation or claims of material importance known by the Directors to be pending or threatened against any member of the Group.

8. CONSENT OF EXPERT

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

Name	Qualification
Ernst & Young	Certified Public Accountants, Hong Kong
PricewaterhouseCoopers	Certified Public Accountants, Hong Kong
Platinum	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The reports from Ernst & Young and PricewaterhouseCoopers and the letter from Platinum are given as at the date of this circular for incorporation herein. Each of Ernst & Young, PricewaterhouseCoopers and Platinum have 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, each of Ernst & Young, PricewaterhouseCoopers and Platinum did not have: (a) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (b) any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since March 31, 2018, the date to which the latest published audited financial statements of the Group were made up.

9. 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, 2018, the date to which the latest published audited consolidated financial statements of the Group were made up.

10. DOCUMENTS AVAILABLE FOR INSPECTION

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

(i) the bye-laws of the Company;

(ii) the annual reports of the Company for the financial years ended March 31, 2017 and March 31, 2018;

(iii) Share Purchase Agreement, with an agreed form of each of the Deed of Non-competition and the Tripartite Agreement attached thereto;

(iv) the Framework Technical Services Agreement;

(v) the Services Amendment Agreement;

(vi) the Renewed Services Agreement;

(vii) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 25 to 27 of this circular;

(viii) 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 28 to 69 of this circular;

(ix) the accountant's reports on the Target Business prepared by PricewaterhouseCoopers, the full text of which is set out in Appendix II to this circular;

(x) the report prepared by Ernst & Young in respect of the unaudited pro forma financial information of the Enlarged Group, the full text of which is set out in Appendix III to this circular;

(xi) the written consent referred to in the section headed "Consent of Expert" of this Appendix IV to this circular;

(xii) the material contracts referred to in the section headed "Material Contracts" are set out in this Appendix IV to this circular; and

(xiii) this circular.

11. MISCELLANEOUS

(i) The company secretary of the Company is Ms. Lew Aishan, Nicole. Ms. Lew is a solicitor of the High Court of Hong Kong and is a current member of the Law Society of Hong Kong.

(ii) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda.

(iii) The principal place of business in Hong Kong of the Company is situated at 26/F Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

(iv) The branch share registrar of the Company in Hong Kong is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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

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

"Adult Products"	appliances and non-ingestible products that primarily enhance human sexual pleasure, and being appliances and non-ingestible products which are primarily sold under the primary category "Adult Products/Sexual Health Products" ("成人用品/情趣用品") under the Tmall business category "Healthcare Products and Medicine" ("保健品及醫藥") on Tmall.com, but excluding (a) any general perfume products sold on Tmall.com; (b) any general underwear, apparel and accessory products sold on Tmall.com; and (c) any general furniture products sold on Tmall.com
"Affiliates"	(a) for any person that is an individual, his or her Immediate Family Members, and (b) for any person that is not an individual, any other person that directly or indirectly through one or more intermediaries, Controls, or is Controlled by, or is under common Control with, such person; provided, however, that for purposes of this circular, the Vendor and its Affiliates (other than the Company and its Subsidiaries), on the one hand, and the Company and its Subsidiaries, on the other hand, shall not be deemed to be Affiliates of each other
"AGH Relevant Entities"	Alibaba.com China Limited (阿里巴巴網絡中國有限公司), Taobao China Holding Limited (淘寶中國控股有限公司) and their Affiliates including Alibaba (China) Technology Co., Ltd.* (阿里巴巴(中國)網絡技術有限公司), Hangzhou Alibaba Advertising Co., Ltd.* (杭州阿里巴巴廣告有限公司), Alibaba (China) Software Co. Ltd.* (阿里巴巴(中國)軟件有限公司) and the Tmall Entities, collectively
"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 (China)"	Alibaba Health Technology (China) Company Limited* (阿里健康科技(中國)有限公司), formerly known as Alibaba Health Technology (Beijing) Company Limited* (阿里健康科技(北京)有限公司), a limited liability company incorporated under the laws of the PRC and an indirect wholly owned Subsidiary of the Company
"Alibaba Holding"	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands, the ultimate Controlling Shareholder of the Company, and the American depository shares of which are listed on the New York Stock Exchange

"Board"	the board of Directors
"Business Day"	any day (other than a Saturday or Sunday or public holiday) on which banks in Hong Kong, the PRC, Bermuda and the British Virgin Islands are open for the transaction of normal business
"Business Restructuring"	the business restructuring comprising the Merchant Assignment and the Employee Assignment
"CFDA"	the China Food and Drug Administration
"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)
"Completion"	the completion of the sale and purchase of the entire issued share capital of the Target Company under the Share Purchase Agreement
"connected person"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the total consideration of HK$10,600,000,000 for the Proposed Acquisition
"Consideration Shares"	1,827,586,207 Shares in aggregate to be issued to the Vendor pursuant to the Share Purchase Agreement
"Control"	the power or authority, whether exercised or not, to direct the business, management and policies of 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
"Deed of Non-competition"	the deed of non-competition to be entered into between Alibaba Holding and the Company on or before the Completion of the Proposed Acquisition
"Director(s)"	director(s) of the Company

"Employee Assignment"	has the meaning given to it in the sub-section "2.1 Principal terms of the Share Purchase Agreement — (7) Business Restructuring" of the letter from the Board in this circular
"Enlarged Group"	the Group and the Target Group
"Existing Target Merchant"	a Target Merchant which is party to an Existing Target Merchant Contract as agreed between the parties as at the date of the Share Purchase Agreement
"Existing Target Merchant Contract"	in respect of a Target Merchant, the existing services agreement between the Tmall Entities and such Target Merchant that permits the sale of Target Products by such Target Merchant on Tmall.com
"Framework Technical Services Agreement"	the software services agreement dated May 28, 2018 entered into between the WFOE and the Tmall Entities
"GMV"	the value of confirmed orders of products and services on Alibaba Group's relevant marketplaces or specifically on Tmall with respect to the Target Merchants, as applicable, regardless of how, or whether, the buyer and seller settle the transaction. Unless otherwise stated, GMV in reference to Alibaba Group's marketplaces includes only GMV transacted on its China retail marketplaces. GMV generated from traffic through Juhuasuan is recorded as either Taobao Marketplace GMV or Tmall GMV depending on which of these two marketplaces the transaction is completed. The calculation of GMV for Alibaba Group's China retail marketplaces or specifically on Tmall with respect to Target Merchants, as applicable, includes shipping charges paid by buyers to sellers. As a prudential matter aimed at eliminating any influence on the GMV of potentially fraudulent transactions, Alibaba Group excludes from its calculation of GMV transactions in certain product categories over certain amounts and transactions by buyers in certain product categories over a certain amount per day
"Group"	the Company and its Subsidiaries (after Completion, including the Target Group)

"Healthcare Products"	non-ingestible products which are used in the lives of people and that have specific functions such as regulating the functions of the human body and promoting health, and being non-ingestible products which are primarily sold on the secondary category "Healthcare Products" ("保健用品") under the primary category "OTC Drug/Medical Devices/Family Planning Products" ("OTC 藥品/醫療器械/計生用品") under the Tmall business category "Healthcare Products and Medicine" ("保健品及醫藥") on Tmall.com
"HKFRS"	Hong Kong Financial Reporting Standards
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Immediate Family Members"	for any natural person, (a) such person's spouse, parents, parents-in-law, grandparents, children, grandchildren, siblings and siblings-in-law (in each case whether adoptive or biological), (b) spouses of such person's children, grandchildren and siblings (in each case whether adoptive or biological) and (c) estates, trusts, partnerships and other persons which directly or indirectly through one or more intermediaries are Controlled by the foregoing
"Independent Board Committee"	the independent committee of the Board, comprising Mr. 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 Share Purchase Agreement, the Framework Technical Services Agreement, the Services Amendment Agreement and the connected transactions contemplated thereunder
"Independent Financial Adviser" or "Platinum"	Platinum Securities Company Limited, a corporation licensed under the Securities and Futures Ordinance to provide Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Share Purchase Agreement, the Framework Technical Services Agreement, the Services Amendment Agreement and the connected transactions contemplated thereunder

"Independent Shareholders"	the Shareholders of the Company, other than (i) Alibaba Holding and its associates, including Perfect Advance and the Vendor; and (ii) those who are required to abstain from voting at the SGM to be convened to approve the Share Purchase Agreement, the Framework Technical Services Agreement, the Services Amendment Agreement and the connected transactions contemplated thereunder
"Issue Price"	the per share price of HK$5.80 for the issue of each Consideration Share
"Last Trading Day"	May 28, 2018, being the last full trading day for the Shares before the date of the announcement published by the Company announcing the entering into of the Share Purchase Agreement
"Latest Practicable Date"	July 11, 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Medical and Healthcare Services"	services that have the aim of maintaining and promoting human health, primarily including medical services and services related to health management and promotion, and being services which are primarily sold on the primary category "Medical and Health Services" ("醫療及健康服務") under the Tmall business category "Service Categories" ("服務大類") on Tmall.com, but excluding such services that do not require industry certification on Tmall.com
"Medical Devices Measures"	The Measures for the Supervision and Administration of Online Sale of Medical Devices issued by the former CFDA

"Medical Devices"	instruments, equipment, appliances, materials or other items that are used, alone or in combination, on the human body which are registered (註冊) or filed (備案), from time to time, with the local departments of the former CFDA as a "medical device" ("醫療器械") in accordance with the Regulations for the Supervision and Administration of Medical Devices ("《醫療器械監督管理條例》") (as such laws and regulations may be amended from time to time), and being instruments, equipment, appliances, materials or other items which are primarily sold under the primary categories "OTC Drug/Medical Devices/Family Planning Products" ("OTC藥品/醫療器械/計生用品") and "Contact Lenses/Contact Lens Solution" ("隱形眼鏡/護理液") under the Tmall business category "Healthcare Products and Medicine" ("保健品及醫藥") on Tmall.com
"Merchant"	a legal entity which conducts the sale of products or provision of services on Tmall.com
"Merchant Assignment"	the entry into a Tripartite Agreement among (i) each Existing Target Merchant, (ii) the WFOE and (iii) the Tmall Entities
"Non-assigned Target Merchant"	has the meaning given to it in the sub-section "2.1 Principal terms of the Share Purchase Agreement — (8) Transition Period" of the letter from the Board in this circular
"Non-competition Period"	the period commencing on Completion and ending on the earliest of: (a) the Shares ceasing to be listed on the Stock Exchange; (b) Alibaba Holding ceasing to beneficially own an aggregate of 30% or more of the voting securities of the Company; (c) the Company ceasing to be a subsidiary (as defined in the Listing Rules) of Alibaba Holding; and (d) Alibaba Holding no longer being the single largest Shareholder of the Company (aggregated with the Shares beneficially owned by persons acting in concert with Alibaba Holding)
"Perfect Advance"	Perfect Advance Holding Limited, a company incorporated in the British Virgin Islands and an indirect non-wholly owned Subsidiary of Alibaba Holding

"Permitted Scope"	(a) the conduct of Restricted Business pursuant to any then-effective Existing Target Merchant Contracts until the earlier of (i) the expiration of such Existing Target Merchant Contract in accordance with its terms and (ii) December 31, 2018; (b) entering into the Tripartite Agreements and conducting activities pursuant to the terms thereunder; (c) the conduct of business activities pursuant to the terms of the Framework Technical Services Agreement, including the collection of the Tmall Software Service Fees thereunder; and (d) any business with the Company's prior written consent
"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
"Proposed Acquisition"	the sale and purchase of the entire issued share capital of the Target Company as contemplated under the Share Purchase Agreement
"Relevant Categories"	following the Services Amendment Agreement coming into effect: (a) in respect of the Tmall Supermarket, certain product categories or services offered on Tmall Supermarket, namely over-the-counter drugs, medical devices, family planning products, adult products, contact lenses, refined Chinese medicines such as Chinese medicinal drinks, prescription drugs (if available), traditional nutritional products, food supplements, dietary nutritional supplements, food supplements and dietary nutritional supplements, and (b) in respect of the Tmall.com, certain product categories or services offered on Tmall.com, namely over-the-counter drugs, refined Chinese medicines such as Chinese medicinal drinks, prescription drugs (if available), traditional nutritional products and dietary nutritional supplements, in each case of (a) and (b), for the avoidance of doubt, excludes all categories of products or services sold on or through Tmall Global
"Renewed Services Agreement"	the agreement dated February 14, 2018 entered into between Alibaba Health Technology (China) and the Tmall Entities in relation to the provision of certain outsourced and value-added services by Alibaba Health Technology (China) to the Tmall Entities
"Restricted Business"	permitting the sale of Restricted Products on Tmall.com

"Restricted Products"	the following products and/or services sold on Tmall.com: (a) the Medical Devices; (b) the Adult Products; and (c) the Medical and Healthcare Services
"RMB"	Renminbi, the lawful currency of the PRC
"Services Amendment Agreement"	the amendment agreement dated May 28, 2018 between Alibaba Health Technology (China) and the Tmall Entities to amend the terms of the Renewed Services Agreement
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"SGM"	the special general meeting of the Company to be convened for the Independent Shareholders to consider, and vote, on the Share Purchase Agreement, the Framework Technical Services Agreement, the Services Amendment Agreement and the connected transactions contemplated thereunder
"Share Purchase Agreement"	the share purchase agreement dated May 28, 2018 entered into between the Company and the Vendor in respect of the Proposed Acquisition
"Shareholder(s)"	holder(s) of the Shares
"Shares"	ordinary shares of par value HK$0.01 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary" or "Subsidiaries"	an entity or entities which are Controlled
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Target Business"	the business to be directly or indirectly injected into the Company pursuant to the terms of the Share Purchase Agreement
"Target Company"	Ali JK Medical Products Limited, a company incorporated under the laws of British Virgin Islands and a direct wholly-owned Subsidiary of the Vendor
"Target Group"	the Target Company and its Subsidiaries

"Target Merchant"	a merchant who has obtained, or proposes to obtain, permission from Tmall.com to sell Target Products on Tmall.com, regardless of whether any actual sales of Target Products have been made by such merchant on Tmall.com
"Target Products"	the following products and/or services sold on Tmall.com: (i) the Medical Devices and Healthcare Products; (ii) the Adult Products; and (iii) the Medical and Healthcare Services
"Tmall Entities"	Tmall Technology, Tmall Network and/or their applicable Affiliates (as the case may be), collectively
"Tmall Global"	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 Global, 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 Global)
"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 Software Service Fees"	the software service fees received by the Tmall Entities from the WFOE pursuant to the Framework Technical Services Agreement
"Tmall Supermarket"	the third party online transaction platform for brands and retailers operated under the domain name chaoshi.tmall.com (or such other URLs as may be used by Tmall Supermarket, 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 Supermarket)
"Tmall Technology"	Zhejiang Tmall Technology Co., Ltd* (浙江天貓技術有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned Subsidiary of Alibaba Holding

"Tmall.com" or "Tmall"	the third party online platform for brands and retailers operated by the Tmall Entities under the domain name tmall.com and 95095.com (or such other URLs as may be used by the Tmall Entities, 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.com), provided, however, that for the purpose of this circular, Tmall.com does not include Tmall Global and Tmall Supermarket
"Transition Period"	the period commencing on the date of Completion and ending on the earliest of (i) completion of the Merchant Assignment of the Non-assigned Target Merchant, (ii) the termination or expiration of the Existing Target Merchant Contract, and (iii) December 31, 2018
"Tripartite Agreements"	the tripartite agreements to be entered into among each of (i) the Target Merchants, (ii) the WFOE and (iii) the Tmall Entities
"Vendor"	Ali JK Nutritional Products Holding Limited, a company incorporated under the laws of British Virgin Islands and a direct wholly-owned Subsidiary of Alibaba Holding
"VWAP"	in respect of the Shares, volume weighted average price, being the ratio of the value traded to total volume traded over a trading day as quoted on the Stock Exchange
"WFOE"	Hangzhou Hengping Health Technology Co., Ltd* (杭州衡憑健康科技有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned Subsidiary of the Vendor
"WFOE Software Service Fees"	the software service fees received by the WFOE from the Target Merchants for transactions selling Target Products on Tmall.com and utilizing services provided by the Tmall Entities which is equal to up to 3% of the value of completed sales of Target Products sold on Tmall.com and which will be deducted from the receivables of the relevant Target Merchant and paid to the WFOE after a customer confirms the receipt of the products he or she purchases
"%"	per cent

* *English name for identification purpose only.*

AliHealth
阿里健康

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

(Incorporated in Bermuda with limited liability)

(Stock code: 00241)

NOTICE OF SPECIAL GENERAL MEETING

Notice is hereby given that a special general meeting (the "**SGM**") of Alibaba Health Information Technology Limited (the "**Company**") will be held at 19/F, Building B, Greenland Center, Chaoyang District, Beijing, the PRC, on Wednesday, August 1, 2018 at 3:00 p.m. for the purposes of considering and, if thought fit, passing (with or without amendments) the following ordinary resolutions:

ORDINARY RESOLUTIONS

Resolutions in relation to the Share Purchase Agreement

1. "**THAT**

(a) the share purchase agreement entered into between the Company and Ali JK Nutritional Products Holding Limited on May 28, 2018 (the "**Share Purchase Agreement**") and the connected transaction contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one or more of the directors of the Company (the "**Directors**") for and on behalf of the Company, be and are hereby authorized to sign, seal, execute and deliver all such documents and deeds, and do all such acts, matters and things as they may in their discretion consider necessary, desirable or expedient to give effect to and/or to implement the transactions contemplated in resolution 1(a)."

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

2. "**THAT**

(a) subject to the passing of resolutions 1(a) and 1(b) and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the 1,827,586,207 Shares in aggregate as consideration under the Share Purchase Agreement (the "**Consideration Shares**"), the grant of a specific mandate to the Directors with the power and authority to allot and issue the Consideration Shares to Ali JK Nutritional Products Holding Limited in accordance with the terms of the Share Purchase Agreement be and are hereby approved; and

(b) any one or more of the Directors for and on behalf of the Company, be and are hereby authorized to sign, seal, execute and deliver all such documents and deeds, and do all such acts, matters and things as they may in their discretion consider necessary, desirable or expedient to give effect to and/or to implement the transactions contemplated in resolution 2(a)."

Resolutions in relation to the Framework Technical Services Agreement

3. "**THAT**

(a) subject to the passing of resolutions 1(a) and 1(b), the software services agreement entered into between Hangzhou Hengping Health Technology Co., Ltd* (杭州衡憑健康科技有限公司), Zhejiang Tmall Technology Co., Ltd* (浙江天貓技術有限公司) and Zhejiang Tmall Network Co., Ltd* (浙江天貓網絡有限公司) on May 28, 2018, the non-exempt continuing connected transactions contemplated thereunder and the proposed annual caps for the years ending March 31, 2019, 2020 and 2021, be and are hereby approved, confirmed and ratified; and

(b) any one or more of 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 resolution 3(a)."

Resolutions in relation to the Services Amendment Agreement

4. "**THAT**

(a) subject to the passing of resolutions 1(a) and 1(b), the services amendment agreement entered into between Alibaba Health Technology (China) Company Limited* (阿里健康科技(中國)有限公司), Zhejiang Tmall Network Co., Ltd* (浙江天貓網絡有限公司) and Zhejiang Tmall Technology Co., Ltd* (浙江天貓技術有限公司) on May 28, 2018, the continuing connected transactions contemplated thereunder and the proposed annual cap for the year ending March 31, 2019, be and are hereby confirmed, approved and ratified; and

(b) any one or more of 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 resolution 4(a)."

By Order of the Board
ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED
SHEN Difan
Chief Executive Officer and Executive Director

Hong Kong, July 16, 2018

Notes:

1. All resolutions at the SGM will be taken by poll pursuant to the Bye-laws and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

2. Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

3. Any shareholder of the Company whose ownership is either recorded through the Central Clearing and Settlement System (CCASS) or maintained with a licensed securities dealer (i.e. not directly recorded in his own name in the Register of Members of the Company) shall only be entitled to vote by providing its instructions to vote to HKSCC Nominees Limited either directly as a CCASS Participant or through its licensed securities dealer and the relevant financial intermediaries. In order to attend and vote at the meeting, any such shareholder shall be appointed by HKSCC Nominees Limited as its proxy to attend and vote instead of him.

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 SGM or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the SGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. 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 whom (i) one is an executive Director, namely Mr. SHEN Difan; (ii) four are non-executive Directors, namely Mr. WU Yongming, Mr. WANG Lei, Mr. KANG Kai and Ms. ZHANG Yu; and (iii) three are independent non-executive Directors, namely Mr. YAN Xuan, Mr. LUO Tong and Mr. WONG King On, Samuel.