

# ALTUS CAPITAL LIMITED

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*To the Independent Board Committee and the Independent Shareholders*

## **Alibaba Health Information Technology Limited**

26/F Tower One

Times Square

1 Matheson Street

Causeway Bay, Hong Kong

Dear Sir and Madam,

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

### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Amended and Renewed CCT Agreements, the transactions contemplated thereunder and the annual caps related thereto. The details are set out in the “Letter from the Board” contained in the circular of the Company dated 6 March 2024 (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Each of the Existing CCT Agreements will expire by 31 March 2024. In order to allow the Company to continue with the currently in-place arrangements with Alimama Companies and Taobao China Companies, on 2 February 2024, the Company entered into the following Amended and Renewed CCT Agreements: (i) the 2025–2027 Marketing and Promotion Services Framework Agreement with Alimama to amend and renew the 2024 Advertising Services Framework Agreement; and (ii) the 2025–2027 Framework Technical Services Agreement with Taobao China to amend and renew both the 2024

Framework Technical Services Agreement and the 2024 Taobao Framework Technical Services Agreement. Each of the Amended and Renewed CCT Agreements has a term commencing from the Effective Date and ending on 31 March 2027.

## **LISTING RULES IMPLICATIONS**

As at the Latest Practicable Date, Alibaba Holding is the ultimate controlling shareholder of the Company, and its wholly-owned subsidiaries, Taobao Holding, Ali JK, Perfect Advance and Alibaba Investment, are shareholders of the Company. As Alibaba Holding directly or indirectly controls or is the ultimate shareholder of both Alimama Companies and Taobao China Companies, the members of Alimama Companies and Taobao China Companies are associates of Alibaba Holding and hence connected persons of the Company. Therefore, the transactions contemplated under each of the Amended and Renewed CCT Agreements constitute continuing connected transactions of the Company in accordance with the Listing Rules.

Since one or more of the applicable percentage ratios in respect of the annual cap(s) under each of the Amended and Renewed CCT Agreements is/are higher than 5%, the transactions contemplated under each of the Amended and Renewed CCT Agreements are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of knowledge, belief and information of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, each of Perfect Advance, Alibaba Investment, Ali JK, Taobao Holding and Antfin (Hong Kong) Holding Limited (being a close associate of Alibaba Holding) held 3,103,816,661 Shares, 48,716,465 Shares, 4,560,785,407 Shares, 2,558,222,222 Shares and 60,576,000 Shares, and these Shares (which included all the Shares held by the respective associates of Perfect Advance, Alibaba Investment, Ali JK, Taobao Holding and Antfin (Hong Kong) Holding Limited) represented approximately 19.29%, 0.30%, 28.34%, 15.90% and 0.38% of the issued share capital of the Company respectively. This, when aggregated, represents a total of 10,332,116,755 Shares or approximately 64.21% of the issued share capital of the Company. Each of Perfect Advance, Alibaba Investment, Ali JK, Taobao Holding and their respective associates (including Antfin (Hong Kong) Holding Limited), shall abstain from voting in relation to the ordinary resolutions to be put forward at the SGM for the purpose of approving the Amended and Renewed CCT Agreements, the transactions contemplated thereunder and the annual caps related thereto. Computershare Hong Kong Trustees Limited, being the trustee of the Share Award Scheme of the Company, holds 1,972,100 Shares and 3,121,058 Shares in respect of the trust account of connected person(s) and the trust account of non-connected person(s) respectively, representing approximately 0.012% and 0.019% of the issued share capital of the Company respectively. Pursuant to Rule 17.05A of the Listing Rules, the trustee is required to abstain from voting on all resolutions at the SGM.

Apart from the above, none of the Shareholders has a material interest in the Amended and Renewed CCT Agreements and the transactions contemplated thereunder, and therefore no other Shareholder is required to abstain from voting on the proposed resolutions approving the same.

#### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Huang Yi Fei (Vanessa), Dr. Shao Rong and Ms. Wu May Yihong, has been formed to advise the Independent Shareholders as to (i) whether each of the Amended and Renewed CCT Agreements and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of each of the Amended and Renewed CCT Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable; (iii) whether the annual caps have been fairly and reasonably arrived at; and (iv) how the Independent Shareholders should vote in respect of the resolutions to be proposed at the SGM after taking into account the recommendation from the Independent Financial Adviser.

#### **THE INDEPENDENT FINANCIAL ADVISER**

As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether each of the Amended and Renewed CCT Agreements and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of each of the Amended and Renewed CCT Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable; (iii) whether the annual caps have been fairly and reasonably arrived at; and (iv) how the Independent Shareholders should vote in respect of the resolutions to be proposed at the SGM.

We acted as the independent financial adviser for the Company with regards to (i) the continuing connected transactions in relation to contractual arrangements; and (ii) the discloseable and connected transaction in relation to the acquisition of AJK Technology Holding Limited and the non-exempt continuing connected transaction related thereto, details of which were set out in the announcement of the Company dated 30 June 2023 and the circular of the Company dated 22 December 2023 respectively. Save for the aforesaid transactions, we have not acted as an independent financial adviser or financial adviser for the Company's other transactions in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that the remuneration for our engagement to opine on the Amended and Renewed CCT Agreements, the transactions contemplated thereunder and the annual caps related thereto is at market level and not conditional upon successful passing of the resolutions to be proposed at the SGM, and that our engagement is on normal commercial terms, we are independent of the Company.

## **BASIS OF OUR ADVICE**

In formulating our opinion, we have reviewed, amongst others, (i) the 2025–2027 Marketing and Promotion Services Framework Agreement; (ii) the 2025–2027 Framework Technical Services Agreement; (iii) the 2024 Advertising Services Framework Agreement; (iv) the 2024 Framework Technical Services Agreement; (v) the 2024 Taobao Framework Technical Services Agreement; (vi) the annual report of the Company for the year ended 31 March 2023 (the “**FY2023 Annual Report**”); and (vii) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate, and complete at the time they were made and will continue to be so up to the date of the SGM. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business, financial conditions and affairs or future prospects of the Group.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

### **1. Information of the Company, Alimama, and Taobao China**

#### *1.1. The Company*

The Company is an investment holding company and the Group provides affordable, convenient, efficient and reliable medical and healthcare services to hundreds of millions of families. The principal activities of the Group comprise the sale of pharmaceutical and healthcare products and services, the provision of internet-based medical and healthcare services, and digital tracking services and other innovative services.

### ***1.2. Alimama***

Alimama is a company established in the PRC with limited liability and an indirect wholly-owned Subsidiary of Alibaba Holding. It operates Alibaba Group's marketing technology platform by using data technology. Alimama's platform matches the marketing demands of merchants, brands and retailers with media resources on Alibaba Group's own platforms and third-party properties.

### ***1.3. Taobao China***

Taobao China is a limited company incorporated in Hong Kong and an indirect wholly-owned subsidiary of Alibaba Holding. Taobao China is the direct holding company of certain PRC Subsidiaries of Alibaba Holding relating to Taobao Marketplace, China's leading mobile commerce destination with a large and growing social community, and Tmall, the world's leading third-party online and mobile commerce platform for brands and retailers.

## **2. The Amended and Renewed CCT Agreements**

### ***2.1. Rationale for entering into the Amended and Renewed CCT Agreements***

Taking into account the principal activities of the Group as described in the paragraph headed "1.1 The Company" above, we are of the view that it is in the ordinary and usual course of the business of the Group to (i) coordinate marketing and promotion services for advertising the Group's and its target merchants' products on various e-commerce platforms; and (ii) procure technical support and services from Taobao China Companies which are essential to support the operations of the Group's target merchants on Tmall Platforms. In particular, we noted that the aforementioned services procured from Alimama Companies and Taobao China Companies align with the Company's mission to provide accessible and affordable medical and healthcare services to the public.

As each of the 2024 Advertising Services Framework Agreement, the 2024 Framework Technical Services Agreement and the 2024 Taobao Framework Technical Services Agreement will expire on 31 March 2024, each of the 2025–2027 Marketing and Promotion Services Framework Agreement and the 2025–2027 Framework Technical Services Agreement represents a continuation of the existing arrangement in respect of the marketing and promotion and software technical services provided to the Group by Alimama Companies and Taobao China Companies respectively during the Group's ordinary and usual course of business.

We noted from the Management that the Group has procured marketing and promotion services and software technical services from Alimama Companies and Taobao China Companies for over six and six years respectively with consecutive renewals. With such business relationship and proven track record in business transactions between the Group and each of Alimama Companies and Taobao China Companies, we noted from the Management that the marketing and promotion services provided to the Group have had a positive impact on sales of the Group's and

its target merchants' products; while the software technical services have had provided the necessary support for the Group's target merchants to operate on Tmall Platforms. Therefore, in view of the benefits that can be brought to the Group as elaborated above, the continuity of the business relationship with Alimama Companies and Taobao China Companies are beneficial to the long-term development of the Group.

Overall, the Management believes and we concur that the transactions contemplated under each of the Amended and Renewed CCT Agreements will continue to be conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

## ***2.2. 2025–2027 Marketing and Promotion Services Framework Agreement***

To assess the fairness and reasonableness of the 2025–2027 Marketing and Promotion Services Framework Agreement, we have considered the following.

### ***2.2.1. Principal terms of the 2025–2027 Marketing and Promotion Services Framework Agreement***

The principal terms of the 2025–2027 Marketing and Promotion Services Framework Agreement are summarised below. For details, please refer to the paragraph headed “2.1 Principal terms of the Amended and Renewed CCT Agreements” in the “Letter from the Board” of the Circular.

<b>Duration:</b>	Commence from the Effective Date and end on 31 March 2027
<b>Services to be provided:</b>	Alimama Companies have agreed to provide the Group with the Marketing and Promotion Services, including but not limited to providing the marketing, promotion and advertising services on various platforms under and in cooperation with Alibaba Group, including the Alibaba Group Platforms or other third-party platforms, from time to time in accordance with the underlying standard agreements (including the standard terms and conditions (as applicable) as published on the relevant online platforms operated by Alimama Companies) and their latest editions as amended from time to time.
<b>Service fees, pricing terms and payment terms:</b>	The service fees shall be calculated in accordance with the underlying agreements and the standard terms and conditions (as applicable) as amended and published on the respective online platforms operated by Alimama Companies from time to time.

As at the Latest Practicable Date, the service fees include without limitation the following major components:

- (i) both CPM (cost per impression) and CPC (cost per click) model marketing and promotion services. The unit prices of advertisements priced under both the CPC and the CPM models are determined through an auction system, under which the Group offers bid prices for the relevant marketing resources, taking into account the commercial circumstances and comparable prices offered by other independent third-party advertisers on other advertising platforms. The Company understands that Alibaba Group's systems will automatically accept the highest bids for each marketing resources from the auction process. The bid prices currently offered by the Group which have been accepted by Alimama Companies under the CPM and CPC model range from RMB5 to RMB150 per 1,000 impressions and from RMB0.5 to RMB10 per effective click respectively; and
- (ii) project-based advertising services. Alimama Companies provide project-based advertising campaign services, whereby it offers advertisements on its advertising platforms for a certain advertising period. Alimama Companies calculate the marketing and promotion placement fees based on a cost per time (CPT) model (i.e., advertising fees are charged based on the amount of time displayed).

The parties agreed that the time and settlement means of the payment for the transactions contemplated under the 2025–2027 Marketing and Promotion Services Framework Agreement shall be determined in accordance with the standard agreements (including the standard terms and conditions (as applicable) as published on the relevant online platforms operated by Alimama Companies) and their latest editions as amended from time to time) entered into between the Group and Alimama Companies from time to time.

*Our view*

The principal terms of the 2025–2027 Marketing and Promotion Services Framework Agreement are substantially the same as those under the 2024 Advertising Services Framework Agreement.

We understand that the Group’s marketing and promotion placements are made through real time auction systems of Alimama Companies, where the systems will automatically accept the highest bids for each marketing resources, and such mechanism equally applies to the Group and other independent third party advertisers. Further, we understand that both the Group and other independent third party advertisers are subject to the same standard terms and conditions as published on the respective online platforms operated by Alimama Companies. In other words, it is noted that all advertisers, regardless of the Group or other independent third party advertisers, are subject to the same auction process and terms and conditions when procuring marketing and promotion services from Alimama Companies.

In this regard, we have conducted a walkthrough of the marketing and promotion placement process and noted that all advertisers who wish to procure marketing and promotion services from Alimama Companies, regardless of the Group or other independent third party advertisers, have to go through the same online systems which are accessible through the respective online platforms operated by Alimama Companies. We noted that the Group would have to input its desired bid price for the particular pricing model and the online system will then automatically generate the results. The whole marketing and promotion placement process is being conducted through the online systems of Alimama Companies; and all advertisers are subject to the same terms and conditions as published on the respective online platforms.



Considering the transparent nature of marketing and promotion services procured from Alimama Companies, and given that the Group and other independent third party advertisers are subject to the same terms and conditions as specified by Alimama Companies, we are of the view that the terms of the 2025–2027 Marketing and Promotion Services Framework Agreement are on normal commercial terms and are fair and reasonable.

### 2.2.2. Proposed annual caps

#### 2.2.2.1. Existing annual caps and historical variances

The following table summarises (i) the historical transaction amounts between the Group and Alimama Companies; and (ii) the corresponding existing annual caps, for the year ended 31 March 2023 (“FY2023”) and the nine months ended 31 December 2023 respectively.

	<b>For the year ended 31 March 2023</b>	<b>For the nine months ended 31 December 2023</b>
		<i>(RMB'000)</i>
Historical transaction amount	1,046,205	936,103
Annual caps	1,850,000	2,220,000 (for the year ending 31 March 2024)
Utilisation rate <i>(approximately)</i>	56.6%	56.2% <i>(Note)</i>

*Note: This utilisation rate is calculated based on (i) historical transaction amount for the nine months ended 31 December 2023; and divided by (ii) the existing annual cap calculated on a pro-rata basis.*

As shown in the above table, the utilisation rates of the annual caps remained relatively stable at approximately 56.6% and 56.2% in FY2023 and the nine months ended 31 December 2023 respectively. In terms of actual transaction amount, the Group’s marketing and promotion fees paid to Alimama Companies for the nine months ended 31 December 2023 amounted to approximately RMB936.1 million. For illustrative purpose only, the annualised marketing and promotion fees for the year ending 31 March 2024 (“FY2024”) based on the nine months’ actual figure would be approximately RMB1,248.1 million, representing an increase of approximately 19.3% as compared to that recorded in FY2023.

### 2.2.2.1. Proposed annual caps

The following table sets out the proposed annual caps under the 2025–2027 Marketing and Promotion Services Framework Agreement for the years ending 31 March 2025, 2026 and 2027 respectively.

	For the year ending 31 March		
	2025	2026	2027
	<i>(RMB'000)</i>		
Proposed annual caps	2,400,000	2,640,000	2,904,000

In determining the above proposed annual caps, we understand from the Management that the Company has taken into consideration (i) the historical transaction amounts incurred for the year ended 31 March 2023 and the nine months ended 31 December 2023; (ii) the Group’s marketing plans for each of the three financial years ending 31 March 2027; and (iii) the expected marketing needs of the Group and its target merchants for each of the three financial years ending 31 March 2027.

In assessing the fairness and reasonableness of the proposed annual caps, we have discussed with the Management and obtained the relevant working for review. Based on our discussion with the Management, we noted that the proposed annual cap for the year ending 31 March 2025 of RMB2.4 billion (the “**FY2025 Marketing and Promotion Services Annual Cap**”) is mainly arrived at after considering the Group’s marketing plan and expected marketing needs. From our review of the calculation worksheet, we noted that the Management has mainly taken into account an expected year-on-year increase of around 10% to 20% in marketing and promotion fees to Alimama Companies when deriving the FY2025 Marketing and Promotion Services Annual Cap. In this regard, we have firstly considered the historical transaction amounts as discussed in the paragraph headed “2.2.2.1. Existing annual caps and historical variances” above, where the annualised marketing and promotion fees to Alimama Companies for FY2024 (based on the nine months’ actual figure and for illustrative purpose only) represents an approximate 19.3% increase as compared to that recorded in FY2023. This supports the assumption of a growing demand for marketing support from Alimama Companies to facilitate the Group’s business expansion. Secondly, we understand from the Management that the marketing and promotion services to be provided under the 2025–2027 Marketing and Promotion Services Framework Agreement will primarily cater to the Group’s pharmaceutical direct sales business. In this regard, we noted from the FY2023 Annual Report that the revenue of the Group’s pharmaceutical direct sales business increased by approximately 31.7% from approximately RMB17,911.1 million during the year ended 31 March 2022 (“**FY2022**”) to approximately RMB23,591.6 million in FY2023. As such, we consider the estimated growth rate in deriving the FY2025 Marketing and

Promotion Services Annual Cap, which is at a level below and around the aforementioned revenue and expenditure growth rates respectively, to be fair and reasonable.

Further, we understand from the Management that following the completion of acquisition of AJK Technology Holding Limited (the “**Acquisition**”) in January 2024 (for details, please refer to the Company’s circular dated 22 December 2023), the Company intends to foster collaborations with existing and potential target merchants. This includes, amongst others, allocating more resources on various e-commerce platforms under and in cooperation with Alibaba Group. In this regard, we have obtained the relevant marketing plan from the Management and noted that, amongst others and subject to the Management’s continuous assessment of prevailing market conditions, it is the intention of the Group following the Acquisition to allocate a portion of the revenue generated from its provision of marketing services to merchants on the platform. Part of this strategic plan will include incentivising existing and potential target merchants to adopt and allocate resources towards e-commerce platforms under and in cooperation with Alibaba Group, which in turn may potentially lead to the corresponding increase in demand for advertising and promotional activities. We observed from publicly available information that it is the Group’s strategic direction to, amongst others, establish a resources pool in the scale of tens of billions of impressions in order to provide targeted support to merchants, as well as to incubate an additional 50 domestic health product merchants with sales exceeding RMB10 million and over 200 individual products with sales exceeding RMB1 million. Given this roadmap, it necessitates further Marketing and Promotion Services provided by Alimama Companies and we understand that the FY2025 Marketing and Promotion Services Annual Cap has been arrived at with the above in mind, in addition to the factors discussed above.

For the years ending 31 March 2026 and 2027, we understand that a year-on-year growth rate of 10% respectively has been applied to derive the respective proposed annual caps. We considered such estimated growth rate to be reasonable in order to cater for potential growth in businesses and marketing needs of the Group.

In addition to the above, considering that (i) the Group is not obliged under the 2025–2027 Marketing and Promotion Services Framework Agreement to procure services from Alimama Companies or to use up the proposed annual caps; and (ii) the proposed annual caps can provide flexibility for the Group to procure marketing and promotion services from Alimama Companies according to its marketing plan and needs, we are of the view that the proposed annual caps under the 2025–2027 Marketing and Promotion Services Framework Agreement are fair and reasonable.

### **2.3. 2025–2027 Framework Technical Services Agreement**

To assess the fairness and reasonableness of the 2025–2027 Framework Technical Services Agreement, we have considered the followings.

#### *2.3.1. Principal terms of the 2025–2027 Framework Technical Services Agreement*

The principal terms of the 2025–2027 Framework Technical Services Agreement are summarised below. For details, please refer to the paragraph headed “2.1 Principal terms of the Amended and Renewed CCT” in the “Letter from the Board” of the Circular.

**Duration:** Commence from the Effective Date and end on 31 March 2027

**Services to be provided:** Taobao China Companies agreed to provide the relevant software technical services, including but not limited to the following services:

- (i) basic software technical support: Taobao China Companies will provide infrastructure software technical support to the Group or the Merchants as requested by the Company for the software services fees. The infrastructure software technical support includes product information display services on the Tmall Platforms, and its related basic software technical services (including, among others, system security services, business platform operation management technology software services);
- (ii) internet information services and secondary domain names: as the platform provider and operator, the Tmall Entities and Taobao China will provide Tmall.com and Tmall.hk respectively as well as the secondary domain names to the Merchants as a platform for the Merchants’ operation of their respective businesses. The internet information services and secondary domain name services that Taobao China Companies provide to the Group will not be charged to the Group, the Merchants or consumers for the time being; and

- (iii) other services: Taobao China Companies may provide the Group with additional services as initiated by them including but not limited to marketing services and merchant customer services. Taobao China Companies will not charge the Group or the Merchant for those services unless the Group request such services, in which case the parties will agree on a separate service fee.

**Service fees, pricing terms and payment terms:**

The Group shall pay the software service fees to Taobao China Companies, which are equal to 40% of the software service fees received by the Group from the Merchants for transactions selling Pharmaceutical Products and 50% of the software service fees received by the Group from the Merchants for transactions selling the Target Products and Services other than the Pharmaceutical Products on the Tmall Platforms.

The aforementioned software service fees currently received by the Group are a certain percentage of the value of completed sales of Target Products and Services sold on the Tmall Platforms.

*Our view*

The principal terms of the 2025–2027 Framework Technical Services Agreement are substantially the same as those under the 2024 Framework Technical Services Agreement and the 2024 Taobao Framework Technical Services Agreement.

We noted that the Group has established internal control measures to monitor the implementation of pricing policy of the transactions contemplated under the 2025–2027 Framework Technical Services Agreement. In this regard, we have obtained the full lists of transactions entered into between the Group and Taobao China Companies during the nine months ended 31 December 2023 pursuant to each of the 2024 Framework Technical Services Agreement and the 2024 Taobao Framework Technical Services Agreement and randomly selected three samples from each of the aforesaid agreements for review. Based on our review of the underlying documents, we noted that the software technical service transactions entered into between the Group and Taobao China Companies has followed the relevant pricing policy as described above. Considering the samples obtained and reviewed are selected on a random

basis and cover the period of 2024 Framework Technical Services Agreement and the 2024 Taobao Framework Technical Services Agreement, we believe that the sample size is sufficient.

As advised by the Management, neither the Group nor Taobao China Companies had entered into similar software technical service transaction with independent third party during the term of the 2024 Framework Technical Services Agreement and the 2024 Taobao Framework Technical Services Agreement (up to date). Nonetheless, based on our independent research, we noted that JD Health International Inc. (stock code: 6618) (“**JD Health**”, together with its subsidiaries, the “**JD Health Group**”) and JD.com, Inc. (stock code: 9618) (“**JD.com**”, together with its subsidiaries, excluding the JD Health Group, the “**JD Group**”) have entered into a similar arrangement, namely the 2023 technology and traffic support services framework agreement (the “**JDH Technology and Traffic Support Services Framework Agreement**”), on 21 October 2022. We noted that JD.com operates its online and mobile commerce platform; while JD Health, being the non-wholly owned subsidiary of JD.com, operates as the online healthcare platform of JD.com. Such operating structure is similar to those between Alibaba Holding and the Group.

Under the JDH Technology and Traffic Support Services Framework Agreement, JD Group shall provide JD Health Group technology and traffic support services through its online platforms (i.e. JD.com) during the period from 1 January 2023 to 31 December 2025. The aforesaid technology and traffic support services primarily include user traffic support, branding activities, operational support and advertisement access for the JD Health Group’s merchants and suppliers. JD Group will charge commissions by applying a fixed rate of up to 3% (the “**JDH Technology and Traffic Support Services Fees**”) on the value of the fulfilled orders of healthcare products and services generated through JD Group’s online platforms. For further details, please refer to the circular of JD Health Group dated 8 December 2022. We consider the JDH Technology and Traffic Support Services Framework Agreement a close market comparable to the 2025–2027 Framework Technical Services Agreement in terms of nature of services being provided. We understand from the Management that the software service fees currently received by the Group are up to 5% of the value of completed sales of Target Products and Services sold on the Tmall Platforms. In this regard, we noted that the software service fees (i.e. 40% of up to 5% of the value of completed sales of Pharmaceutical Products sold on Tmall Platforms; or 50% of up to 5% of the value of completed sales of the Target Products and Services other than the Pharmaceutical Products) are generally comparable to the JDH Technology and Traffic Support Services Fees (i.e. up to 3% on the value of the fulfilled orders of healthcare products and services generated through JD Group’s online platforms).

Taking into account of above, we are of the view that the terms of the 2025–2027 Framework Technical Services Agreement are on normal commercial terms and are fair and reasonable.

### 2.3.2. Proposed annual caps

#### 2.3.2.1. Existing annual caps and historical variances

The following table summarises (i) the historical transaction amounts between the Group and Taobao China Companies; and (ii) the corresponding existing annual caps, in FY2023 and the nine months ended 31 December 2023 respectively.

	<b>For the year ended 31 March 2023</b>	<b>For the nine months ended 31 December 2023</b>
	<i>(RMB'000)</i>	
Historical transaction amount	1,215,332	880,985
Annual caps	2,069,000	2,020,000
		(for the year ending 31 March 2024)
Utilisation rate <i>(approximately)</i>	58.7%	58.2% <i>(Note)</i>

*Note: This utilisation rate is calculated based on (i) historical transaction amount for the nine months ended 31 December 2023; and divided by (ii) the existing annual cap calculated on a pro-rata basis.*

As shown in the above table, the utilisation rates of the annual caps remained relatively stable at approximately 58.7% and 58.2% in FY2023 and the nine months ended 31 December 2023 respectively. In terms of actual transaction amount, the Group's procurement of software technical services from Taobao China Companies for the nine months ended 31 December 2023 amounted to approximately RMB881.0 million. For illustrative purpose only, the annualised software technical service procurement amount for FY2024 based on the nine months' actual figure would be approximately RMB1,174.6 million, representing a nominal decrease of approximately 3.3% as compared to that recorded in FY2023.

### 2.3.2.2. Proposed annual caps

The following table sets out the proposed annual caps under the 2025–2027 Framework Technical Services Agreement for the years ending 31 March 2025, 2026 and 2027 respectively.

	For the year ending 31 March		
	2025	2026	2027
	<i>(RMB'000)</i>		
Proposed annual caps	2,300,000	2,530,000	2,783,000

In determining the above proposed annual caps, we understand from the Management that the Company has taken into consideration (i) the historical transaction amounts incurred for the year ended 31 March 2023 and the nine months ended 31 December 2023; (ii) the historical revenue of the Tmall Platforms attributable to the sales of the Target Products and Services for the recent three financial years; (iii) the projected revenue of the Tmall Platforms for the sales of the Target Products and Services for the three financial years ending 31 March 2027; (iv) the Group’s own projections for business with the Merchants based on projections for the growth of the overall healthcare market in China; and (v) the Group’s marketing plans for enhancing the software technical services that the Group seeks to provide to the Merchants.

In assessing the fairness and reasonableness of the proposed annual caps, we have discussed with the Management and obtained the relevant working for review. Based on our discussion with the Management, we noted that the proposed annual cap for the year ending 31 March 2025 of RMB2.3 billion (the “**FY2025 Technical Services Annual Cap**”) is mainly arrived at after considering the potential growth in gross merchandise value (“**GMV**”) of the Target Products and Services to be sold on Tmall Platforms. Based on our review of the calculation worksheet, we noted that the Management has mainly taken into account (i) an expected overall year-on-year growth rate in GMV of Target Products and Services to be sold on Tmall Platforms of around 20% to 30%; and (ii) the pricing terms as stipulated under the 2025–2027 Framework Technical Services Agreement as discussed in the paragraph headed “2.3.1. Principal terms of the 2025–2027 Framework Technical Services Agreement” above, in deriving the FY2025 Technical Services Annual Cap. In this regard, we understand from the Management that the services to be provided under the 2025–2027 Framework Technical Services Agreement will mainly facilitate the pharmaceutical e-commerce platform business and the healthcare and digital services business of the Group. According to the FY2023 Annual Report, we noted that the revenue of the Group’s (i) pharmaceutical e-commerce platform business increased by approximately 10.5% from approximately RMB2,025.9 million in FY2022 to approximately RMB2,238.0 million in FY2023; and (ii) healthcare and digital services business increased by approximately 45.7% from



approximately RMB640.7 million in FY2022 to approximately RMB933.5 million in FY2023, respectively. The estimated growth rate in overall GMV to derive the FY2025 Technical Services Annual Cap is therefore at a level within the range of the abovementioned revenue growth rates.

Further, we have also considered that since the COVID-19 pandemic restriction policies had been lifted in the PRC, the PRC government has introduced a number of economic stimulus policies to reinforce market confidence. Examples of key measures include cutting reserve requirement ratio for banks with an effect to adding liquidity to the market, helping private businesses to access funding, and encouraging additional spending on consumer goods and cars. According to the latest data published by the National Bureau of Statistics of China<sup>1</sup>, the total retail sales of consumer goods in December 2023 increased by approximately 7.4% on a period-on-period basis; such figure demonstrates potential recovery in consumer confidence when compared to the period-on-period decrease of total retail sales of consumer goods of approximately 1.8% in December 2022. Against this backdrop, we are of the view that it is reasonable to assume potential increase in demand for the Target Products and Services, and in turn, the GMV as well as the derived software service fees to Taobao China Companies in the coming financial year.

Similar to the proposed annual caps under the 2025–2027 Marketing and Promotion Services Framework Agreement as discussed in the paragraph headed “2.2.2.2. Proposed annual caps” above, the Company’s strategic direction to foster collaborations with existing and potential target merchants following the completion of acquisition of AJK Technology Holding Limited in January 2024 can potentially result in increased sales of Target Products and Services on the Tmall Platforms, and in turn, the software service fees payable to Taobao China Companies under the 2025–2027 Framework Technical Services Agreement. In this regard, for reference purpose only, we note that (a) the extent of increment of the FY2025 Technical Services Annual Cap (when compared to the annualised software technical service procurement amount for FY2024) of approximately 95.8%, is comparable to (b) the approximate 92.3% increase in the case of FY2025 Marketing and Promotion Services Annual Cap (by applying the same calculation above). We understand that the FY2025 Technical Services Annual Cap has been arrived at taking into account such potential, in addition to the factors discussed above.

For the years ending 31 March 2026 and 2027, we understand that a year-on-year growth rate of 10% respectively has been applied to arrive at the respective proposed annual caps. We consider such estimated growth rate to be reasonable in order to cater for potential growth in GMV of Target Products and Services as well as the Group’s business.

<sup>1</sup> Source: [https://www.stats.gov.cn/sj/zxfb/202401/t20240116\\_1946619.html](https://www.stats.gov.cn/sj/zxfb/202401/t20240116_1946619.html)

In addition to the above, considering that (i) the Group is not obliged under the 2025–2027 Framework Technical Services Agreement to engage the services of Taobao China Companies or to use up the proposed annual caps; and (ii) the proposed annual caps can provide flexibility for the Group to cater for potential growth in GMV of Target Products and Services, and in turn, the Group’s business in the coming three financial years, we are of the view that the proposed annual caps under the 2025–2027 Framework Technical Services Agreement are fair and reasonable.

### **3. Internal control measures**

We have obtained and reviewed the Group’s internal control measures in relation to the Amended and Renewed CCT Agreements and noted that the finance department will collect the corresponding service fees to be incurred under the Amended and Renewed CCT Agreements on a monthly basis and update such information to the legal department and the chief financial officer of the Company to monitor these transaction amounts. For details, please refer to the paragraph headed “2.3 Internal controls for the Group’s continuing connected transactions” in the “Letter from the Board” of the Circular.

Further, the external auditors of the Company and the independent non-executive Directors will conduct annual review on the transactions contemplated under the Amended and Renewed CCT Agreements pursuant to the requirements of Chapter 14A of the Listing Rules. In this regard, we noted from the FY2023 Annual Report that the external auditors of the Company and the independent non-executive Directors had conducted annual review of the Group’s transactions with Alimama Companies and Taobao China Companies in relation to marketing and promotion services and software technical services and there were no adverse findings under such annual review.

Based on the above, the Management is of the view, and we concur that, the internal control measures in relation to the Amended and Renewed CCT Agreements are adequate and reasonable.

### **RECOMMENDATION**

Having considered the above principal factors, we are of the view that (i) each of the Amended and Renewed CCT Agreements and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; (ii) the terms of each of the Amended and Renewed CCT Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable; and (iii) the annual caps in relation to the Amended and Renewed CCT Agreements are fair and reasonable.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Amended and Renewed CCT Agreements, the transactions contemplated thereunder and the annual caps related thereto.

Yours faithfully,  
For and on behalf of  
**Altus Capital Limited**



**Chang Sean Pey**  
*Responsible Officer*

*Mr. Chang Sean Pey (“Mr. Chang”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 25 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*