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.

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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) DISCLOSEABLE 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 Advisor 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 page 15 of this circular. A letter from the Independent Financial Advisor, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 17 to 43 of this circular.

A notice convening the SGM to be held at Units 2302–2305, 23/F, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong on Thursday, June 29, 2017 at 3:30 p.m. is set out on pages 54 to 55 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.

June 12, 2017

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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. WANG Lei *(Chief Executive Officer)*

Non-executive Directors:
Mr. WU Yongming *(Chairman)*
Mr. TSAI Chung, Joseph
Ms. HUANG Aizhu
Mr. KANG Kai

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

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Causeway Bay
Hong Kong

June 12, 2017

To the Shareholders

Dear Sir/Madam,

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

1. INTRODUCTION

We refer to:

- the announcement of the Company dated April 1, 2016 in which the Company announced, among other things, that the Company and Alibaba Holding were actively discussing the possibility of injecting a substantial segment of health food products/dietary supplements and traditional nutritional products business from Alibaba Holding into the Company; and

- the circular of the Company dated March 14, 2017 in which the Company announced, among other things, that it continued to actively pursue the potential acquisition of the relationships with merchants selling certain health food products on Tmall.com.

On May 19, 2017, the Board announced that the Company and the Vendor entered into the Share Purchase Agreement on May 18, 2017, 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 the same day, the Tmall Entities and the WFOE entered into the Framework Technical Services Agreement.

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

- further details of the Share Purchase Agreement;

- further details of the Framework Technical Services Agreement;

- the advice and recommendations of the Independent Board Committee;
- the advice and recommendation of the Independent Financial Advisor; and
- notice of the SGM.

2. THE PROPOSED ACQUISITION AND THE FRAMEWORK TECHNICAL SERVICES AGREEMENT

2.1 Principal terms of the Share Purchase Agreement

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

(1) Date

May 18, 2017

(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 Group and the transaction contemplated under the Share Purchase Agreement will constitute a connected transaction under the Listing Rules.

(3) The Proposed Acquisition

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

The Target Company is an offshore holding vehicle which is an indirect wholly-owned Subsidiary of Alibaba Holding. The Target Company, through the WFOE, will hold (i) the ownership of all Merchant relationships with the Target Merchants for the sales of 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 Blue Cap Health Food products sold on Tmall.com, except for the Excluded Products. Blue Cap Health Food products are food products that are registered ("註冊") or filed ("備案"), from time to time, with the CFDA as "health food" ("保健食品") in accordance with the Health Food Registration and Filing Administrative Rules (《保健食品註冊與備案管理辦法》) and the Food Safety Law of the PRC (《中華人民共和國食品安全法》) (as such laws and regulations may be amended from time to time) and have obtained a health food ("Blue Cap") ("藍帽子") label with a unique registration or filing tracking number from the CFDA.

"Excluded Products" are:

- any medicated liquor sold under the secondary category "health food alcohol" ("保健食品酒") under the primary category "alcohol" ("酒類");
- any energy drinks sold under the secondary category "drinks" ("飲料") under the primary category "coffee/oatmeal/instant drinks" ("咖啡/麥片/沖飲");

- any maternity health food sold under the secondary category "maternity nutritional products" ("孕產婦營養品") under the primary category "maternity wear/maternity products/nutritional products" ("孕婦裝/孕產婦用品/營養品"); and

- any infant and toddler health food sold under the secondary category "infant and toddler nutritional products" ("嬰幼兒營養品") under the primary category "milk powder/supplemental food/nutritional products/snacks" ("奶粉/輔食/營養品/零食"),

on Tmall.com.

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$3,800,000,000 which was determined after arm's length negotiations between the Company and the Vendor. The Consideration will be satisfied by the Company issuing 1,187,500,000 Consideration Shares to the Vendor. The Issue Price will be HK$3.20 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, 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 14.49% of the issued share capital of the Company as at the date of this circular and approximately 12.66% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. Based on the current shareholding structure of the Company, the Company will continue to be able to satisfy the public float requirement under the Listing Rules following issue of the Consideration Shares.

Alibaba Holding established and grew the Target Business, and did not acquire it from a third party, so there is no original acquisition cost of the Target Business. 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, market position and gross merchandise value of the Target Business;

(b) the growth potential in the gross merchandise value of the Target Business;

(c) the strategic value and industry and operational expertise of the Target Business; 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 Target Products on Tmall.com.

(5) The Issue Price

The Issue Price represents:

(a) a discount of approximately 6.16% to the closing price of the Shares of HK$3.410 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 3.95% to the average VWAP for the five consecutive trading days up to and including the Last Trading Day of approximately HK$3.332 per Share;

(c) a discount of approximately 0.28% to the average VWAP for the ten consecutive trading days up to and including the Last Trading Day of approximately HK$3.209 per Share;

(d) a premium of approximately 1.47% to the average VWAP for the fifteen consecutive trading days up to and including the Last Trading Day of approximately HK$3.154 per Share;

(e) a premium of approximately 1.83% to the average VWAP for the twenty consecutive trading days up to and including the Last Trading Day of approximately HK$3.142 per Share; and

(f) a discount of approximately 0.18% to the average VWAP for the thirty consecutive trading days up to and including the Last Trading Day of approximately HK$3.206 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 prior to the Last Trading Day; and

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

as well as the factors described above.

(6) Completion and conditions precedent

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

(a) the passing by the Independent Shareholders at a duly convened Shareholders' meeting of the Company of resolutions approving the Proposed Acquisition, including but not limited to, the issue of the Consideration Shares pursuant to the Share Purchase Agreement, the increase of the authorized share capital of the Company from 10,000,000,000 ordinary shares of HK$0.01 each to 15,000,000,000 ordinary shares of HK$0.01 each and the non-exempt continuing connected transactions by the members of the Group as contemplated under the Framework Technical Services Agreement;

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

(c) the completion of the business restructuring as set out in a detailed plan agreed among the parties ("**Business Restructuring**") including the assignment to the WFOE of the relationships with either (i) at least 761 Existing Target Merchants or (ii) such number of the Existing Target Merchants that collectively had at least RMB2,217 million in GMV for the financial year ended March 31, 2017;

(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 July 31, 2017, 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.

(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 such Existing Target Merchant, the WFOE and the Tmall Entities ("**Merchant Assignment**").

(8) Transition Period

If the Merchant Assignment of any Existing Target Merchant has not been completed as of Completion (such Target Merchant, the "**Non-assigned Target Merchant**"), the Vendor shall continue to use reasonable endeavors to complete such Merchant Assignment as soon as reasonably practicable. For each of the Non-assigned Target Merchants, the Vendor shall, promptly after the Transition Period, pay or cause to be paid to the Company 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, 2017.

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 Target 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 enabling or permitting the sales of Target Products on Tmall.com ("**Restricted Business**") during the Non-competition Period.

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; and

(c) 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, 2017;

(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 Target Products for sale on Tmall.com solely under the Health Food Product Categories ("保健食品類目") (as such term is defined in the Framework Technical Services Agreement), and (ii) use reasonable efforts to identify and remove from listing on Tmall.com any Target 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 Blue Cap Health Food e-commerce platform maintenance related software services 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 18, 2017 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 18, 2017

(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, 2020, 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 infrastructure technical support for the operation of Tmall.com, including the following services:

(a) Technical support: The Tmall Entities will provide infrastructure technical support to the WFOE or the Target Merchants as requested by the WFOE for the Tmall Software Service Fees. The infrastructure 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 for free as a platform for the Target Merchants' operation of business; 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 RMB40 million, RMB65 million and RMB85 million for each of the financial years ending March 31, 2018, 2019 and 2020, 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. RMB56.3 million and RMB62.3 million in the financial years ended March 31, 2016 and 2017, 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) 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, including a written policy which sets out the proper steps for escalating information regarding the usage of the proposed annual caps from the operating team to the executive officers, including monthly reports to the Company's chief executive officer, chief financial officer and general counsel and then to the independent non-executive directors where required. The Company's operating team will have day-to-day interaction with the Target Merchants and will be able to closely monitor applicable GMV on a weekly basis. The Framework Technical Services Agreement includes a customary provision pursuant to which the Tmall Entities agree to allow the Company and its auditors access to information necessary to report on the non-exempt continuing connected transactions.

(7) 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 the Target Merchants and 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 Target Products.

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

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

2.5 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 date of this circular; 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 date of this circular and Completion).

	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	53.96	4,420,628,008	47.13
– Ali JK Nutritional Products Holding Limited	0	0.00	1,187,500,000	12.66
Directors of Alibaba Health	1,904,000	0.02	1,904,000	0.02
Public Shareholders				
Other shareholders	3,770,204,910	46.02	3,770,204,910	40.19
Total	8,192,736,918	100.00	9,380,236,918	100.00

2.6 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 RMB2,772 million and had approximately 11.81 million annual active buyers for the financial year ended March 31, 2017. As of March 31, 2017, the Target Business had more than 950 Target Merchants authorized by the Tmall Entities to sell Target Products on Tmall.com.

Based on the unaudited financial information of the Target Business prepared in accordance with HKFRS as of March 31, 2017, the net asset value of the Target Business was nil. Set out below is the key unaudited financial information of the Target Business for each of the financial years ended March 31, 2016 and 2017.

	For the year ended March 31,	
	2016	**2017**
	(RMB'000)	*(RMB'000)*
Revenue	56,329	62,276
Gross profit(*)	24,036	26,881
Profit before taxation(*)	21,281	24,366
Net profit(*)	18,620	21,159

* 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, 2015. 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; and (iii) sales taxes and surcharges and income tax expense were recalculated based on adjusted financial information with applicable tax rate.

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

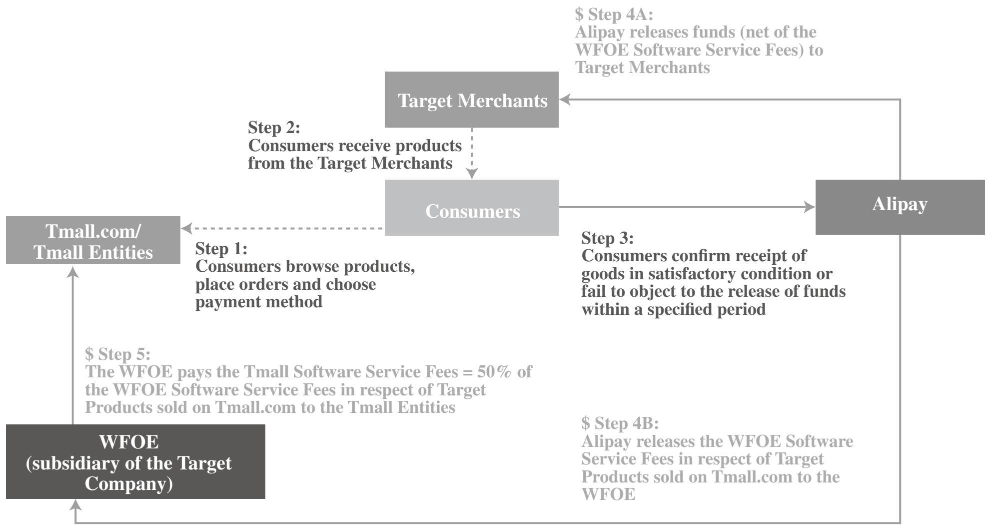
- tracking market trends and policy updates and updating Merchants on material policy updates. For example, the WFOE will update Merchants on any policy changes and provide analysis of how such changes might impact Merchants' business, and on trends to help Merchants identify opportunities or areas to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

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



2.7 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 pharmaceutical e-commerce, intelligent medicine business and the operation of product tracking platforms in the PRC.

2.8 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, 2016. Founded in 1999, Alibaba Group provides the fundamental technology infrastructure and marketing reach to help merchants, brands and other businesses that provide products, services and digital content 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.

2.9 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 caters to consumers looking for branded products and a premium shopping experience. A large number of international and Chinese brands and retailers have established storefronts on Tmall. It is positioned as a trusted platform for consumers to buy both homegrown and international branded products as well as products not available in traditional retail outlets. Brands and retailers operate their own stores on the Tmall platform with unique brand identities and look and feel, accompanied by full control over their own branding and merchandising.

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

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

The Company believes that its acquisition of the Target Business will enable it to: (a) further develop into Alibaba Group's healthcare flagship platform; (b) bring in an even broader set of merchants into the online healthcare community to enrich the ecosystem, and to organically complement and supplement the Company's pharmaceutical e-commerce business, intelligent medicine services and product tracking platform services; and (c) obtain more stable and sustainable revenue growth. The Proposed Acquisition represents an important step in the Company's ongoing development of its healthcare related e-commerce 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.

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.

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

2.11 Listing Rules implications

As one or more of the applicable percentage ratios in respect of the Share Purchase Agreement (including the alternative size test referred to in Rule 14.20) exceed 5% but are below 25%, the Share Purchase Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. 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 will constitute continuing connected transactions for the Company under the Listing Rules. It is expected that the highest of the applicable percentage ratios in respect of the Framework Technical Services Agreement will be more than 5%. Accordingly, the transactions contemplated under the Framework Technical Services Agreement will constitute non-exempt continuing connected transactions subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. WU Yongming, Mr. Tsai Chung, Joseph, Ms. HUANG Aizhu and Mr. KANG Kai are employees of Alibaba Holding or its Subsidiaries, each of these Directors is deemed or may be perceived to have a material interest in the transactions contemplated under the Proposed Acquisition and the Framework Technical Services Agreement. Accordingly, they have abstained from voting on the board resolutions in connection with the Proposed Acquisition and the continuing connected transactions under the Framework Technical Services Agreement. Other than the aforesaid Directors, no other Directors have a material interest in the Proposed Acquisition or the continuing connected transactions under the Framework Technical Services Agreement and are not 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 increase in the authorized share capital of the Company, (iii) the issue of the Consideration Shares under the specific mandate, and (iv) the Framework Technical Services Agreement and the non-exempt continuing connected transactions contemplated thereunder. Perfect Advance which holds a total of 4,420,628,008 Shares, representing approximately 53.96% of the issued share capital of the Company as at the date of this circular, and its associates shall abstain from voting at the SGM. Save as disclosed above, no other Shareholder is required to abstain from voting on the above ordinary resolutions.

2.12 Independent Board Committee and Independent Financial Advisor

The Company has established an Independent Board Committee comprising of all the independent non-executive Directors to advise the Independent Shareholders in connection with the approval of the Share Purchase Agreement, the Framework Technical Services Agreement and the connected transactions contemplated thereunder. Platinum has been appointed as the Independent Financial Advisor 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 Advisor, considers that the terms of the Proposed Acquisition and the Framework Technical Services Agreement are fair and reasonable and in the interests of the Company so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the SGM.

The letter from the Independent Board Committee to the Independent Shareholders is set out on page 15 of this circular. The letter from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 43 of this circular.

3. RECOMMENDATION

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

4. GENERAL

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

5. SGM AND PROXY ARRANGEMENT

The notice of the SGM is set out on pages 54 to 55 of this circular. At the SGM, resolutions will be proposed to approve the Proposed Acquisition, the Framework Technical Services Agreement and the connected transactions contemplated thereunder.

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

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

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

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

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

June 12, 2017

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated June 12, 2017 to its Shareholders of which this letter forms part. Terms defined in the circular shall have the same meanings in this letter unless the context otherwise requires.

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

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

Your attention is drawn to:

(a) the letter from the Board set out on pages 1 to 14 of this circular which contains its recommendation to the Independent Shareholders and the additional information set out in the Appendix to this circular; and

(b) the letter from the Independent Financial Advisor set out on pages 17 to 43 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.

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 increase in the authorized share capital of the Company;
- the issue of the Consideration Shares under the specific mandate; and
- the Framework Technical Services Agreement and the non-exempt continuing connected transactions contemplated thereunder,

to be presented at the SGM.

Yours faithfully,
Independent Board Committee
Mr. 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 Advisor 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

June 12, 2017

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in relation to the Share Purchase Agreement and the Framework Technical Services Agreement and the connected transactions contemplated thereunder (the "**Transactions**"). Details are contained in the circular of the Company dated June 12, 2017 (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 Advisor, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether the Share Purchase Agreement and the Framework Technical Services Agreement and the connected transactions contemplated thereunder 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 announcement of the Company dated May 19, 2017 (the "**Announcement**"); (iv) the announcement of annual results of the Company for the year ended March 31, 2017 (the "**Annual Results Announcement**"); (v) the interim report of the Company for the half year ended September 30, 2016; and (vi) the unaudited financial information of the Target Business for the years ended March 31, 2016 and 2017 (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 Transactions.

During the past two years, Platinum Securities Company Limited had no past engagement with the Company. 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 Advisor 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, namely Mr. YAN Xuan, Mr. LUO Tong and Mr. WONG King On, Samuel, has been established to advise the Independent Shareholders as to whether the Share Purchase Agreement and the Framework Technical Services Agreement and the connected transactions contemplated thereunder are on normal commercial terms in the ordinary and usual course of business of the Group and whether the terms of Share Purchase Agreement and the Framework Technical Services Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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 19, 2017, the Board announced that the Company and the Vendor entered into the Share Purchase Agreement on May 18, 2017, 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 the same day, the Tmall Entities and the WFOE entered into the Framework Technical Services Agreement.

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 pharmaceutical e-commerce, intelligent medicine business and the operation of product tracking platforms in the PRC.

1.2 Information on 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, 2016. Founded in 1999, Alibaba Group provides the fundamental technology infrastructure and marketing reach to help merchants, brands and other businesses that provide products, services and digital content 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.

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 RMB2,772 million and had approximately 11.81 million annual active buyers for the financial year ended March 31, 2017. As of March 31, 2017, the Target Business had more than 950 Target Merchants authorized by the Tmall Entities to sell Target Products on Tmall.com.

Based on the unaudited financial information of the Target Business prepared in accordance with HKFRS as of March 31, 2017, the net asset value of the Target Business was nil. Set out below is the key unaudited financial information of the Target Business for each of the financial years ended March 31, 2016 and 2017.

	For the year ended March 31,	
	2016	**2017**
	RMB'000	*RMB'000*
Revenue	56,329	62,276
Gross profit(*)	24,036	26,881
Profit before taxation(*)	21,281	24,366
Net Profit(*)	18,620	21,159

* *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, 2015. 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; and (iii) sales taxes and surcharges and income tax expense were recalculated based on adjusted financial information with applicable tax rate.*

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

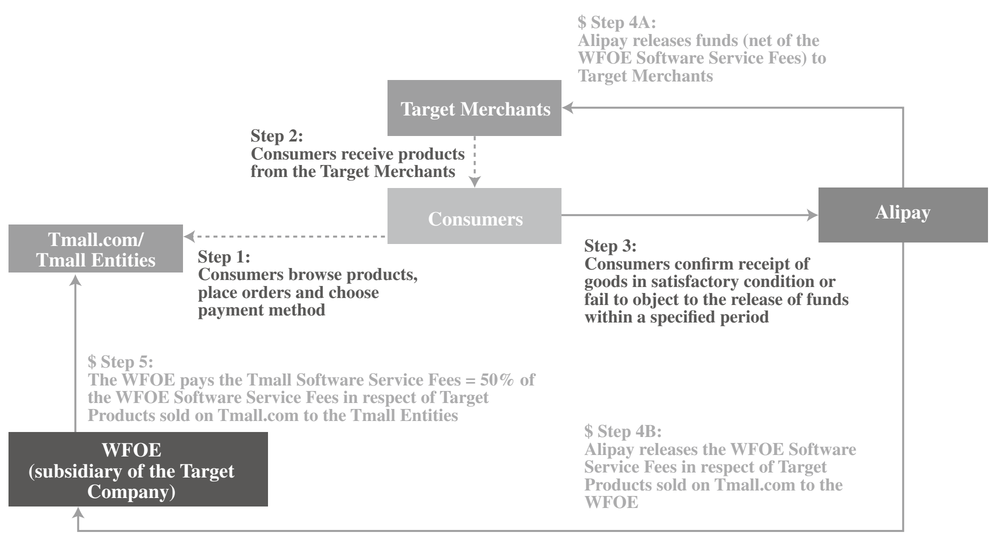
- tracking market trends and policy updates and updating Merchants on material policy updates. For example, the WFOE will update Merchants on any policy changes and provide analysis of how such changes might impact Merchants' business, and on trends to help Merchants identify opportunities or areas to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

Set out below is a chart illustrating the operation model of the Target Business after the 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 caters to consumers looking for branded products and a premium shopping experience. A large number of international and Chinese brands and retailers have established storefronts on Tmall. It is positioned as a trusted platform for consumers to buy both homegrown and international branded products as well as products not available in traditional retail outlets. Brands and retailers operate their own stores on the Tmall platform with unique brand identities and look and feel, accompanied by full control over their own branding and merchandising.

2. Overview of China's e-commerce market and health food market

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 health food e-commerce. According to the National Bureau of Statistics, there were approximately 649 million internet users and 557 million mobile internet users in China as of December 31, 2016[1] representing approximately increase of 11.4% and 5.0%, respectively from the previous year. In addition, the improvement of mobile technology and the increased popularity of smart phone users in China, the number of mobile internet users increased from 66.2% in 2010 to 90.0% of all mobile users in China in 2015. The growth of the consumer base of e-commerce is continuously trend likely to continue. 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 China Internet Network Information Centre (the "**CNNIC**"), the penetration of online retail consumers among total internet users increased from 35.1% in 2010 to 63.8% in 2016[2] whilst the penetration of mobile retail consumers among online retail consumers jumped from 7.7% in 2010 to 94.5% in 2016[3]. Not only has the number of online and mobile retail consumers increased since 2010, but also the value of total online retail sales has maintained a rapid growth trend since then. In 2010, the online retail sales value and mobile retail sales value were RMB509.1 billion and RMB3.9 billion respectively. By 2015, the respective sales values had reached RMB3,877.3 billion and RMB996.8 billion respectively[4]. Therefore, we expect an increase in the number of internet and mobile users, online and mobile retail consumers and online and mobile retail sales values in the coming years, all of which indicate that there is still a high potential for the China e-commerce and market to grow.

Not only does the China e-commerce market have strong growth potential, but it is also expected that the health food market in China will maintain booming growth. According to the National Bureau of Statistics of China[5], China's GDP grew 6.9% in 2015, being well ahead of other major economies such as USA and Japan, while the per capita disposable income of urban residents and per capita disposable income of rural residents increased by 8.2% and 8.9% respectively in 2015 as compared with the previous year. Going forward, it is believed that the PRC authorities are likely to seek to maintain the growth of the PRC economy as well as the stability of macroeconomic policies. The PRC economy is likely to shift from an investment-driven model to a consumption-driven model with the final consumption component in GDP picking up. Thus, we consider the continuous climbing of per capita disposable income of both urban residents and rural residents will improve people's living standards and subsequently raise their requirements in relation to personal healthcare.

In addition, according to the National Health and Family Planning Commission, China's population is now an aging society as the share of elderlies aged over 65 has exceeded 10% and is expected to further increase. It is estimated that this figure may reach 20% in the next one or two decades. With a quickly aging population, total healthcare spending in China has grown from RMB1,998.0 billion in 2010 to RMB3,531.2 billion in 2014 and is expected to maintain a steady growth over the next few years according to research by Frost & Sullivan. Currently, China's total healthcare expenditure ranked second with the fastest growth rate in the world. However, China's total healthcare expenditure only accounted for 5.6% of GDP in 2014, according to the National Bureau of Statistics of China, which is much lower than that of developed countries which indicates huge room for growth in the future.

On one hand, bad living habits or conditions such as (i) lack of exercise; (ii) unhealthy dietary habits; and (iii) environmental pollution, have caused rising incidences of chronic and some severe diseases among the Chinese population. To be specific, the development of new technologies has changed people's lifestyles leading, for example, to insufficient exercise from sitting for long periods of time at home and in the office, while the better living standards and increasing disposable income has caused people to consume more high-calorie and salty food as well as to develop drinking and smoking habits. Furthermore, many Chinese residents suffer from severe air and water pollution at the same time as they are facing food safety issues. As a result, the public has increasingly spent money on health

[1] *Source: http://www.stats.gov.cn/enGliSH/PressRelease/201502/t20150228_687439.html*
[2] *Source: http://www.cnnic.cn/hlwfzyj/hlwxzbg/hlwtjbg/201701/P020170123364672657408.pdf*
[3] *Source: http://www.cnnic.cn/hlwfzyj/hlwxzbg/hlwtjbg/201701/P020170123364672657408.pdf*
[4] *Source: http://www.cnnic.cn/hlwfzyj/hlwxzbg/dzswbg/201606/P020160721526975632273.pdf*
[5] *Source: http://data.stats.gov.cn/english/easyquery.htm?cn=C01*

products to reduce the possibility of chronic diseases. On the other hand, we have noticed that the Chinese government has been promoting the implementation of healthcare reform and the availability of accessible and affordable healthcare to citizens by investing heavily in the healthcare sector, and it has also published a series of favorable policies to support the development of the health food market and to strengthen the supervision of manufacture of health food products[6]. With the promotion of usage of e-commerce by the PRC government in rural areas of China, the future development of e-commerce remains favourable. Most healthcare and pharmaceutical products are relatively smaller and lighter and can be more easily delivered through logistics networks to end users and therefore, allow themselves to being sold online.

In light of the above, we consider that the Target Group and Target Business will benefit from the development of the online health food market due to (i) the development of e-commerce and an increasing number of online retail users; (ii) the increasing purchasing power of Chinese residents focusing on healthcare expenditure; (iii) the aging society in China and rising occurrence of chronic diseases; and (iv) the support from the Chinese government to develop the healthcare market in China.

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 pharmaceutical e-commerce, intelligent medicine business and the operation of product tracking platforms in the PRC.

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 RMB2,772 million and had approximately 11.81 million annual active buyers for the financial year ended March 31, 2017. As of March 31, 2017, the Target Business had more than 950 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. As always, Alibaba Group will continue to support the Company's development as its healthcare flagship platform and will continue to explore various cooperation models, to help the Company achieve its goals. The Company believes that its acquisition of the Target Business will enable it to (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 pharmaceutical e-commerce business, intelligent medicine services and product tracking platform services; and (iii) 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 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. Completing the Proposed Acquisition will give the Company exposure to approximately 11.81 million annual active buyers and more than 950 Target Merchants authorized by the Tmall Entities in the Target Business. Therefore, we are of the view that the Proposed Acquisition is in line with the business strategy of the Group.

As explained above in Section 2 "Overview of China's e-commerce market and health food market", 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) increasing online and mobile retail sales values in the coming years. Therefore, we consider the Target Business will continue to

[6] *Source: http://www.gov.cn/zhengce/content/2015-03/30/content_9560.htm*

benefit from increasing online consumer spending in China, and that the Company will benefit from such potential business growth in this segment.

In addition, as explained above, China's online health food 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) the increasing purchasing power of Chinese residents focusing on healthcare expenditure; (iii) the aging society in China and rising occurrence of chronic diseases; and (iv) the support from the Chinese government to develop the healthcare market in China. We understand that the Company currently operates its own website (www.liangxinyao.com) and mobile APP to sell healthcare products. Therefore, we consider the acquisition of the Target Business will enable the Company to sell more health products through the Company's own website and mobile APP by acquiring merchant relationships, following which the Company can introduce the Target Merchants to sell their products through the Company's website and mobile APP. As mentioned above, the Target Business generated a GMV of approximately RMB2,772 million as of March 31, 2017. As a result, the Proposed Acquisition will allow the Company to benefit from such increase in GMV in future and further develop into the healthcare flagship of Alibaba Group which is in line with the Company's management's goals and expectations.

Moreover, Alibaba Group has made significant investments in proprietary technologies and infrastructure to support its growing ecosystem. Alibaba Group is constantly upgrading its platforms to enhance user experience, expand the capabilities and scope of its platforms and enhance its cloud computing business, including adding new hardware, updating software and recruiting and training new engineering personnel. For example, since November 2015, Alibaba Group has used artificial intelligence to handle the massive volume of inquiries from consumers through chatbots. As of March 2017, this AI technology is able to handle on a real-time basis millions of customer inquiries daily. Alibaba Group has made its AI technology available to merchants doing business on its China retail marketplaces through a service named "Store Concierge." This proprietary technology uses natural-language processing to help merchants to efficiently handle consumer inquiries such as returns and refunds, especially during peak promotional seasons. It also supports other services, such as providing personalized recommendations and promotion and discount information. This will help the Group to harness the substantial volume of data generated and to further develop and optimise the products and services offered by the Group after Completion. We believe that the Target Business maintains a leading market position in the healthcare market in China as evidenced by the scale of the business. The market leading position will give the Group a key competitive advantage over its competitors in the healthcare market.

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. 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 important 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 pharmaceutical and healthcare categories 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 18, 2017

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 Group and the transaction contemplated under the Share Purchase Agreement will constitute a connected transaction 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 in the Target Company.

The Target Company is an offshore holding vehicle which is an indirect wholly-owned Subsidiary of Alibaba Holding. The Target Company, through the WFOE, will hold (i) the ownership of all Merchant relationships with the Target Merchants for the sales of 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 Blue Cap Health Food products sold on Tmall.com, except for the Excluded Products. Blue Cap Health Food products are food products that are registered ("註冊") or filed ("備案"), from time to time, with the CFDA as "health food" ("保健食品") in accordance with the Health Food Registration and Filing Administrative Rules (《保健食品註冊與備案管理辦法》) and the Food Safety Law of the PRC (《中華人民共和國食品安全法》) (as such laws and regulations may be amended from time to time) and have obtained a health food ("Blue Cap") ("藍帽子") label with a unique registration or filing tracking number from the CFDA.

"Excluded Products" are:

- any medicated liquor sold under the secondary category "health food alcohol" ("保健食品酒") under the primary category "alcohol" ("酒類");
- any energy drinks sold under the secondary category "drinks" ("飲料") under the primary category "coffee/oatmeal/instant drinks" ("咖啡/麥片/沖飲");
- any maternity health food sold under the secondary category "maternity nutritional products" ("孕產婦營養品") under the primary category "maternity wear/maternity products/nutritional products" ("孕婦裝/孕產婦用品/營養品"); and
- any infant and toddler health food sold under the secondary category "infant and toddler nutritional products" ("嬰幼兒營養品") under the primary category "milk powder/supplemental food/nutritional products/snacks" ("奶粉/輔食/營養品/零食"),

on Tmall.com.

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$3,800,000,000 which was determined after arm's length negotiations between the Company and the Vendor. The Consideration will be satisfied by the Company issuing 1,187,500,000 Consideration Shares to the Vendor. The Issue Price will be HK$3.20 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, 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 14.49% of the issued share capital of the Company as at the date of this Circular and approximately 12.66% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. Based on the current shareholding structure of the Company, the Company will continue to be able to satisfy the public float requirement under the Listing Rules following issue of the Consideration Shares.

Alibaba Holding established and grew the Target Business, and did not acquire it from a third party, so there is no original acquisition cost of the Target Business. 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, market position and gross merchandise value of the Target Business;

(b) the growth potential in the gross merchandise value of the Target Business;

(c) the strategic value and industry and operational expertise of the Target Business; 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 Target Products on Tmall.com.

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, the increase of the authorized share capital of the Company from 10,000,000,000 ordinary shares of HK$0.01 each to 15,000,000,000 ordinary shares of HK$0.01 each and the non-exempt continuing connected transactions by the members of the Group as contemplated under the Framework Technical Services Agreement;

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

(c) the completion of the business restructuring as set out in a detailed plan agreed among the parties ("**Business Restructuring**") including the assignment to the WFOE of the relationships with either (i) at least 761 Existing Target Merchants or (ii) such number of the Existing Target Merchants that collectively had at least RMB2,217 million in GMV for the financial year ended March 31, 2017;

(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 July 31, 2017, 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.

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 such Existing Target Merchant, the WFOE and the Tmall Entities ("**Merchant Assignment**").

Transition Period

If the Merchant Assignment of any Existing Target Merchant has not been completed as of Completion (such Target Merchant, the "**Non-assigned Target Merchant**"), the Vendor shall continue to use reasonable endeavors to complete such Merchant Assignment as soon as reasonably practicable. For each of the Non-assigned Target Merchants, the Vendor shall, promptly after the Transition Period, pay or cause to be paid to the Company 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, 2017.

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, 2017. 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, 2017. If, following December 31, 2017, 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 with e-commerce business 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 selling a wide range of products exclusively online; (ii) the business model of the Target Company is a typical e-commerce company (i.e., B2B, B2C, C2C, etc.); and (iii) the revenue of the Target Company is commission-based and is mainly determined by the value of sales generated by the Target Merchants. We consider the above 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 US or PRC; (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) have identifiable gross merchandise volume, gross booking value or gross revenue; 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 and US 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. 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**"), price-to-earnings ratio (the "**P/E**"), price-to-sales ratio (the "**P/S**") and price-to-book ratio (the "**P/B**"), which are commonly used to assess the financial valuation of a company engaged in e-commerce business. However, we note that as of March 31, 2017, the total net asset value of the Target Business was nil. Therefore, P/B is not applicable in this case and should be eliminated.

The P/GMV, P/E and P/S analysis of the Comparable Companies are shown in Table 1 below.

Table 1: Comparable Companies analysis

Company Name	Ticker	P/GMV *(times)* *(Note 1)*	P/E *(times)* *(Note 2)*	P/S *(times)* *(Note 3)*	Growth Rate *(Note 4)*
Alibaba Group Holding Limited	NYSE: BABA	0.58	48.95	13.51	56.5%
Ctrip.com International, Ltd.	NASDAQ: CTRP	N/A	N/A	10.41	76.4%
Amazon.com Inc	NASDAQ: AMZN	2.14	203.62	3.55	27.1%
JD.com, Inc.	NASDAQ: JD	0.62	N/A	1.50	43.5%
Jumei International Holding Ltd	NYSE: JMEI	N/A	11.88	0.42	–14.5%
Vipshop Holdings Limited	NYSE: VIPS	N/A	25.66	0.92	33.2%
Mercadolibre Inc.	NASDAQ: MELI	1.57	92.37	14.92	29.6%
	Maximum	2.14	203.62	14.92	76.4%
	Minimum	0.58	11.88	0.42	–14.5%
	Average	1.23	76.50	6.46	36.0%
	Median	1.10	48.95	3.55	33.2%
Target Company *(Note 5)*		1.21	159.09	54.04	10.6%

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

Note 1: 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 2: 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 3: P/S of the Comparable Companies are calculated by using the market capitalization of the respective companies as at the Latest Practicable Date divided by the full year total sales of the respective companies as obtained from their latest published annual reports and Bloomberg.

Note 4: Growth rate of any Comparable Companies refers to the revenue growth rate of such company in the latest financial year as compared with the previous financial year 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, earnings and latest full year sales as of March 31, 2017. The growth rate of the Target Company is based on its unaudited revenue amount for the year ended March 31, 2017 and its revenue for the year ended March 31, 2016.

As illustrated above, the P/GMV of the Comparable Companies range from approximately 0.58 times to approximately 2.14 times (the "**P/GMV Range**"), with an average of approximately 1.23 times (the "**P/GMV Average**") and a median of approximately 1.10 times (the "**P/GMV Median**").

The P/E of the Comparable Companies range from approximately 11.88 times to approximately 203.62 times (the "**P/E Range**"), with an average of approximately 76.50 times (the "**P/E Average**") and a median of approximately 48.95 times (the "**P/E Median**").

Further, the P/S of the Comparable Companies range from approximately 0.42 times to approximately 14.92 times (the "**P/S Range**"), with an average of approximately 6.46 times (the "**P/S Average**") and a median of approximately 3.55 times (the "**P/S Median**").

We note that the implied P/GMV, P/E and P/S of the Target Company are 1.21 times, 159.09 times and 54.04 times, respectively. The implied P/GMV is higher 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. The implied P/S is above the P/S Average and higher than the maximum P/S of the Comparable Companies of 14.92.

We understand from the Comparable Companies analysis that the revenue growth rate of the Comparable Companies of their last two financial years range from -14.5% to 76.4%, with an average of 36.0% and a median of 35.8% while the revenue growth rate of the Target Company is only 10.6%. Therefore, given that the Target Business is a fairly new business in China while the Comparable Companies have been in existence for many years and they are well-known and mature listed companies in the e-commerce industry, we consider that the Target Business has the potential to grow in the next few years and catch up with the market average revenue growth rate in the near future. Moreover, as we have analyzed in Section 2 "Overview of China's e-commerce market and health food market", the healthcare e-commerce market will develop at a high pace and experience a booming growth. Correspondingly for the same reason, the sales figure of the Target Company is relatively low in comparison with the Comparable Companies in relation to their market capitalization and the Consideration for the Target Business. As such, the implied P/S of the Target Company is out of the P/S Range and higher than that of the maximum P/S of the Comparable Companies. For our role as the Independent Financial Advisor, we therefore carried out our independent analysis on whether the implied P/S of 54.04 is justifiable. As one of our methods, we have discussed with the management of the Company regarding the implied P/S and we understand that it is hard to value the Target Business solely on P/S of the Comparable Companies given that there are no suitable healthcare e-commerce comparables in the market and there exists obvious differences between the Comparable Companies and the Target Company. Notwithstanding the fact that P/S is an important ratio in valuing a company engaged in the e-commerce business, the management believes that the potential of the Target Business is huge and the GMV of the Target Company reflects a strong signal of the influence of the Target Company in the market given that the Target Business generated a GMV of approximately RMB2,772 million for the financial year ended March 31, 2017. Therefore, we concur with the management of the Company that the sales of the Target Business are expected to increase significantly in the following years and it is reasonable that the implied P/S of the Target Company is higher than that of the Comparable Companies.

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 out that the P/E of the Comparable Companies varies in a wide range and even two out of seven companies 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 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 because of the uniqueness of this industry and it 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 sales commissions 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 RMB2,772 million and had approximately 11.81 million annual active buyers for the financial year ended March 31, 2017. The Target Business can therefore be considered as one of the 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 of the Target Company is slightly higher than the P/GMV Average and P/GMV Median but within the P/GMV Range. We are of the view that implied P/GMV is acceptable taking into consideration the growth potential of the Target Company.

In general, we consider that P/GMV, P/E and P/S of the Comparable Companies vary significantly due to the fact that the Comparable Companies provide different e-commerce services. However, we consider that the range of P/GMV, P/E and P/S of the Comparable Companies could 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 except for the P/S is higher than the maximum P/S of the Comparable Companies. More importantly, we believe the healthcare e-commerce industry in China is going to expand rapidly in the next few years, hence the potential of the target business is huge and paying a premium over the Comparable Companies is reasonable taken into consideration all the factors as mentioned above. 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 6.16% to the closing price of the Shares of HK$3.410 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 3.95% to the average VWAP for the five consecutive trading days up to and including the Last Trading Day of approximately HK$3.332 per Share;

(c) a discount of approximately 0.28% to the average VWAP for the ten consecutive trading days up to and including the Last Trading Day of approximately HK$3.209 per Share;

(d) a premium of approximately 1.47% over the average VWAP for the fifteen consecutive trading days up to and including the Last Trading Day of approximately HK$3.154 per Share;

(e) a premium of approximately 1.83% over the average VWAP for the twenty consecutive trading days up to and including the Last Trading Day of approximately HK$3.142 per Share; and

(f) a discount of approximately 0.18% to the average VWAP for the thirty consecutive trading days up to and including the Last Trading Day of approximately HK$3.206 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 prior to the Last Trading Day; and

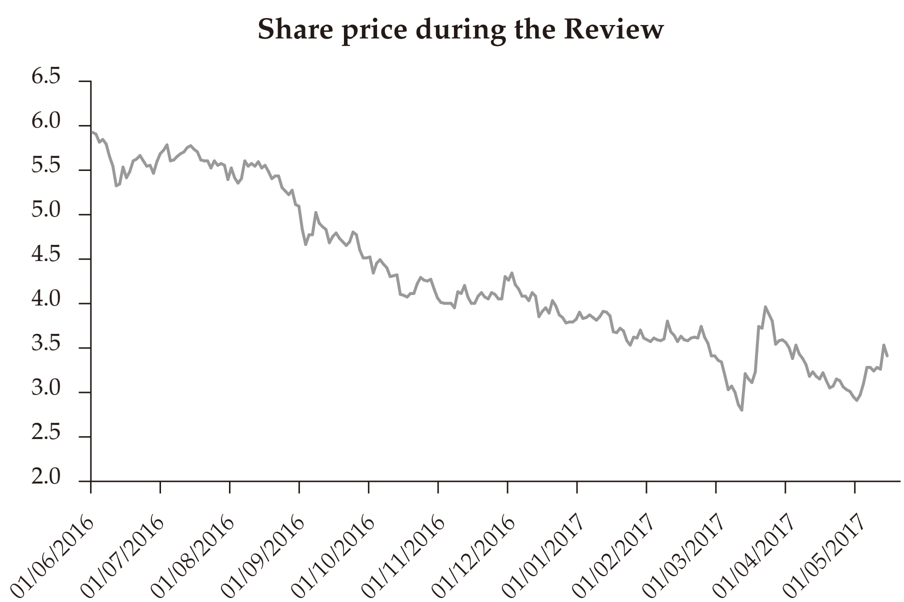
(b) application of an appropriate discount for a substantial placing such as the one contemplated under the Share Purchase Agreement,

as well as the factors described above.

6.1 Review of historical price movement of the Shares

The following exhibit shows the historical price movement of the Shares from June 1, 2016 (being approximately 1 year prior to the date of the Share Purchase Agreement) up to the date of the Share Purchase Agreement (the "**Review Period**").

Exhibit 1: historical price movement of the Shares



We note that the closing price of the Shares was in a downward trend from HK$5.92 in June 2016 to HK$2.8 in March 2017, with an average closing price of approximately HK$4.29 during the Review Period. The Issue Price of Consideration Shares as at HK$3.2 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 14.3% over the lowest closing price of HK$2.80 recorded on March 13, 2017, and a discount of approximately 45.9% to the highest closing price of HK$5.92 recorded on June 1, 2016. We observe that the share price of the Company had a relatively large fluctuation in February and March 2017 during the Review Period. Other than the abovementioned months, 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, 2017 to the date of the Share Purchase Agreement. We consider these selection criteria 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 the Consideration Shares as part of the Consideration, we believe these Issuance Comparables would provide a benchmarking comparison for our analysis as factors taken into account in determining the Issue Price of the Consideration Shares issued under such transactions provide an indication of the premium over/discount to the market price of the relevant shares. The time frame of March 1, 2017 to the date of the Share Purchase Agreement is a reasonable basis for our analysis because the Hang Seng Index ("**HSI**") fluctuated between 23,501.6 points and 25,371.6 points during such period, representing a fluctuation of approximately 8.0% 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 under the current market sentiment 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

Date of Announcement	Company Name	Ticker	Premium/(discount) of the issue price over/(to) the average closing price of: Last trading day prior to/on the date of the relevant announcement	Last 5 consecutive trading day prior to/on the date of the relevant announcement	Last 10 consecutive trading day prior to/on the date of the relevant announcement	Last 15 consecutive trading day prior to/on the date of the relevant announcement	Last 20 consecutive trading day prior to/on the date of the relevant announcement	Last 30 consecutive trading day prior to/on the date of the relevant announcement
12-May-17	United Photovoltaics Group Limited	686 HK	(9.92%)	(9.00%)	(9.61%)	(10.67%)	(7.67%)	(1.11%)
27-Apr-17	China Child Care Corporation Limited	1259 HK	(17.98%)	(19.43%)	(19.25%)	(19.37%)	(19.25%)	(19.96%)
25-Apr-17	China Financial Services Holdings Limited	605 HK	2.74%	2.74%	2.18%	2.56%	2.60%	3.73%
24-Apr-17	Youyuan International Holdings Limited	2268 HK	15.00%	13.64%	14.03%	13.08%	11.49%	9.21%
18-Apr-17	Affluent Partners Holdings Limited	1466 HK	1.33%	(1.65%)	(3.88%)	(5.34%)	(5.98%)	(6.37%)
12-Apr-17	Vincent Medical Holdings Limited	1612 HK	17.02%	15.79%	14.58%	13.87%	14.17%	13.40%
05-Apr-17	Trigiant Group Limited	1300 HK	(0.51%)	(0.68%)	(1.79%)	(1.34%)	(1.18%)	(1.70%)
31-Mar-17	North Asia Resources Holdings Limited	61 HK	0.00%	0.00%	0.30%	3.13%	3.77%	2.17%
16-Mar-17	Amax International Holdings Limited	959 HK	(15.09%)	(14.77%)	(15.25%)	(14.29%)	(13.63%)	(19.56%)
07-Mar-17	Goldenmars Technology Holdings Limited	3638 HK	27.45%	19.49%	14.24%	9.24%	11.11%	14.44%
02-Mar-17	New Concepts Holdings Limited	2221 HK	(1.49%)	0.00%	0.12%	2.26%	4.04%	6.28%
		Maximum	27.45%	19.49%	14.58%	13.87%	14.17%	14.44%
		Minimum	(17.98%)	(19.43%)	(19.25%)	(19.37%)	(19.25%)	(19.96%)
		Average	1.69%	0.56%	(0.39%)	(0.62%)	(0.05%)	0.05%
		Issue Price	(6.16%)	(4.31%)	(0.81%)	1.17%	1.49%	(0.34%)

Source: the Stock Exchange

As illustrated in Table 2, the issue prices of the Issuance Comparables ranged from a discount of approximately 17.98% to a premium of approximately 27.45% to/over the closing price of last trading day (the "**Market Range I**") with an average premium of approximately 1.69% (the "**Market Average I**"); from a discount of approximately 19.43% to a premium of approximately 19.49% to/over the average closing price of the last 5 trading days immediately preceding the date of agreement (the "**Market Range II**") with an average premium of approximately 0.56% (the "**Market Average II**"); from a discount of approximately 19.25% to a premium of approximately 14.58% to/over the average closing price of the last 10 trading days immediately preceding the date of agreement (the "**Market Range III**") with an average discount of approximately 0.39% (the "**Market Average III**"); from a discount of approximately 19.37% to a premium of approximately 13.87% to/over the average closing price of the last 15 trading days immediately preceding the date of agreement (the "**Market Range IV**") with an average discount of approximately 0.62% (the "**Market Average IV**"); from a discount of approximately 19.25% to a premium of approximately 14.17% to/over the average closing price of the last 20 trading days immediately preceding the date of agreement (the "**Market Range V**") with an average discount of approximately 0.05% (the "**Market Average V**"); and from a discount of approximately 19.96% to a premium of approximately 14.44% to/over the average closing price of the last 30 trading days immediately preceding the date of agreement (the "**Market Range VI**") with an average premium of approximately 0.05% (the "**Market Average VI**").

We note that the Issue Price represents (i) a discount of approximately 6.16% to the closing price of the Shares as at the Last Trading Day (the "**Issue Price Discount I**"); (ii) a discount of approximately 4.31% to the average closing price of the Shares for the last 5 trading days up to and including the Last Trading Day (the "**Issue Price Discount II**"); (iii) a discount of approximately 0.81% to the average closing price of the Shares for the last 10 trading days up to and including the Last Trading Day (the "**Issue Price Discount III**"); (iv) a premium of approximately 1.17% over the average closing price of the Shares for the last 15 trading days up to and including the Last Trading Day (the "**Issue Price Premium I**"); (v) a premium of approximately 1.49% over the average closing price of the Shares for the last 20 trading days up to and including the Last Trading Day (the "**Issue Price Premium II**"); and (vi) a discount of approximately 0.34% to the average closing price of the Shares for the last 30 trading days up to and including the Last Trading Day (the "**Issue Price Discount IV**").

Given that (i) the Issue Price Discount I represents discount as compared to the premium of the Market Average I and within the Market Range I; (ii) the Issue Price Discount II represents discount as compared to the premium of the Market Average II and within the Market Range II; (iii) the Issue Price Discount III represents discount as compared to the discount of the Market Average III and within the Market Range III; (iv) the Issue Price Premium I represents premium as compared to the discount of the Market Average IV and within the Market Range IV; (v) the Issue Price Premium II represents premium as compared to the discount of the Market Average V and within the Market Range V; and (vi) the Issue Price Discount IV 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 date of this Circular; 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 date of this Circular 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	53.96	4,420,628,008	47.13
Ali JK Nutritional Products Holding Limited	0	0.00	1,187,500,000	12.66
Directors of Alibaba Health	1,904,000	0.02	1,904,000	0.02
Public Shareholders				
Other shareholders	3,770,204,910	46.02	3,770,204,910	40.19
Total	8,192,736,918	100.00	9,380,236,918	100.00

As indicated in Table 3, the shareholding of public Shareholders will decrease from approximately 46.02% to approximately 40.19% immediately after Completion. Such potential dilution to the shareholdings of public Shareholders represents a dilution by absolute percentage amount of approximately 5.83% 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 impacts of the Proposed Acquisition

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

According to the Annual Results Announcement, NAV attributable to the Shareholders was approximately RMB1,119,662,000 as at March 31, 2017. Given the total net asset value of the Target Business was nil as of 31 March 2017, 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, therefore 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 Annual Results Announcement, the Group recorded revenue of approximately RMB475,078,000 and loss attributable to the Shareholder for the year ended March 31, 2017 was approximately RMB207,626,000. As discussed in the Section 3 "Reasons for and benefits of the Proposed Acquisition", it is expected that the Proposed Acquisition may create synergies between the Group and the Target Company thus potentially enhance the earnings of the 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 Annual Results Announcement, the Group had net current assets of approximately RMB457,443,000 (including cash and cash balances of approximately RMB569,860,000) as at 31 March 2017. 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 18, 2017 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 Blue Cap Health Food e-commerce platform maintenance related software services 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 18, 2017 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 18, 2017

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, 2020, 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 infrastructure technical support for the operation of Tmall.com, including the following services:

(a) Technical support: the Tmall Entities will provide infrastructure technical support to the WFOE or the Target Merchants as requested by the WFOE for the Tmall Software Service Fees. The infrastructure 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 for free as a platform for the Target Merchant's operation of business; 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 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 is 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 Annual Caps**") for each of the financial years ending March 31, 2018, 2019 and 2020 (the "**FY2018**", "**FY2019**" and "**FY2020**", respectively) are set out as follows:

	FY2018 *(in RMB)*	**FY2019** *(in RMB)*	**FY2020** *(in RMB)*
Purchase of services from the Tmall Entities under the Framework Technical Services Agreement	40,000,000	65,000,000	85,000,000

The Proposed Annual Caps for the applicable period in respect of the Framework Technical Services Agreement were arrived at after considering the historical revenue of Tmall.com attributable to the Target Business for recent financial years (i.e. RMB56.3 million and RMB62.3 million in the financial years ended March 31, 2016 and 2017, 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 Annual Caps increase by approximately 30.8% to 62.5% year-on-year during the three financial years ending March 31, 2020.

Internal controls relating to the implementation of the Proposed Annual Caps

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

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 the Target Merchants and 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 Blue Cap Health Food e-commerce platform maintenance related software services to the Target Merchants for a fee. Those services involve the: (i) Merchants admission system; (ii) product quality control system; and (iii) Merchants operational and maintenance services system. They include:

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

- merchant business operation and management, including handling certain matters relating to signing and renewal of Tripartite Agreements with 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 infrastructure technical support for the operation of Tmall.com, including (i) technical support; (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, Tmall Entities may organize platform-wide promotional events from time to time 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, 2020, 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 also note that the Company has been working to develop as an integrated service provider to the Tmall Entities and to enhance further capabilities to provide similar services to more participants in China's healthcare industry. With the Framework Technical Services Agreement, the Company will be able to achieve stronger growth by continuously developing its expertise and enhancing its specific industry experience in the healthcare e-commerce area in the PRC. 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 Merchants 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 company engaging in the provision of similar value-added services to the healthcare e-commerce industry for the justification of such revenue sharing arrangement, we consider it is appropriate to make reference to offline retail cases. We believe that as the Target Company will effectively exclusively operate the health food 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 therefore 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 policy updates 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 are 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, 2014 would be in the range of 50% to 60%, 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 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 Blue Cap Health Food e-commerce platform maintenance related software services to the Target Merchants and the Tmall Entities continuing to provide infrastructure technical support 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 consider it is fair for each of the two parties to receive half of the up to 3% WFOE Software Service 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 contracts from the Existing Target Merchants and confirmed that the terms under which correspond with the terms set out in the Framework Technical Services Agreement. The Company's operating team will have day-to-day interaction with the Target Merchants and will be able to closely monitor applicable GMV on a weekly basis and the vice president of the finance department of the Company will cross-check the amount of the Tmall Software Service Fees being paid to 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 entering into the Framework Technical Services Agreement is in the interests of the Group and the Shareholders as a whole.

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

In respect of the Proposed Annual Caps, we understand that the annual caps were determined by reference to (i) the historical revenue of Tmall.com to the Target Business for recent financial years; (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 Annual Caps in respect of the fees payable to the Tmall Entities under the Framework Technical Services Agreement are RMB40 million, RMB65 million and RMB85 million for FY2018, FY2019 and FY2020, respectively. The proposed monetary caps increase by approximately 30.8% to 62.5% year-on-year during the three financial years ending March 31, 2020.

In order to assess the fairness and reasonableness of the Proposed Annual Caps, we have reviewed and discussed the relevant calculations with the management of the Company and understand from them that the Proposed 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, 2020.

The Proposed Annual Caps increase by approximately 30.8% to 62.5% year-on-year during the three financial years ending March 31, 2020. The yearly increase of approximately 30% is due to 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 and health food market" in this letter, hence, we concur with the management of the Company that the China's health food e-commerce market will undergo 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 yearly increase of 62.5% from FY2018 to FY2019 has taken into consideration that the Proposed Annual Cap for FY2018 is not a full year figure because the Framework Technical Services Agreement will commence on the day following Completion. Hence the Proposed Annual Cap for FY2018 only accounts for the sales of the Target Products for approximately 9 months instead of 12 months.

In addition, management of the Company has also factored in certain buffer to cater (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 Annual Caps. We have reviewed relevant internal projection materials provided by the Company and we are of the view that the Proposed Annual Caps as well as the annual increases of 30.8% to 62.5% 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 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 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 Group.

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

RECOMMENDATION

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

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

(f) the entering 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; and

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

Having considered the above, we are of the view that the Share Purchase Agreement, the Framework Technical Services Agreement and the 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 Company and the terms of the Share Purchase Agreement and the Framework Technical Services Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited

Li Lan
Director and Co-Head of Corporate Finance

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

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS' INTERESTS OR SHORT POSITIONS IN EQUITY SECURITIES

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

Long Position in Shares

Name of Director	Nature of interest	Total interest in Shares	% of the existing issued Shares
Mr. WANG Lei	Beneficial owner and equity derivative interest *(Note)*	10,296,000	0.13%
Mr. WU Yongming	Beneficial owner	1,262,000	0.02%

Note: It represents 642,000 ordinary shares held by Mr. Wang Lei. Subject to vesting, Mr. WANG Lei is interested in a total of 9,654,000 Shares underlying the 8,632,000 options and 1,022,000 restricted share units granted to him in accordance with the share award scheme adopted by the Company at the special general meeting held on November 24, 2014.

Long Position in shares of associated corporation

Name of Director	Number of associated corporation	Nature of interest	Name of shares/ underlying shares held	% of issued shares of associated corporation
Mr. WANG Lei	Alibaba Holding	Beneficial, equity derivative interests and interests of spouse(1)	60,538	0.00%
		Beneficiary of a trust(2)	20,000	0.00%
Mr. TSAI Chung, Joseph	Alibaba Holding	Beneficial, equity derivative interests and interests of spouse(3)	1,827,964	0.07%
		Interests in controlled corporation and other interests(4)	56,729,130	2.26%

Name of Director	Number of associated corporation	Nature of interest	Name of shares/ underlying shares held	% of issued shares of associated corporation
		Founder of a discretionary trust(5)	6,826,695	0.27%
Ms. HUANG Aizhu	Alibaba Holding	Beneficial and equity derivative interests(6)	94,211	0.00%
Mr. KANG Kai	Alibaba Holding	Beneficial and equity derivative interest(7)	16,773	0.00%
Mr. WU Yongming	Alibaba Holding	Beneficial and interests of spouse(8)	281,017	0.01%
		Interests in controlled corporation(9)	200,000	0.01%
		Founder of a discretionary trust(10)	6,813,690	0.27%
Mr. YAN Xuan	Alibaba Holding	Beneficial interest	3,000	0.00%

Notes:

1. It represents 30,560 ordinary shares or underlying ordinary shares and 26,250 restricted share units beneficially held by Mr. WANG Lei and 2,133 ordinary shares or underlying shares and 1,595 restricted share units held by his spouse.

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

3. It represents 1,510,464 ordinary shares and 157,500 restricted share units beneficially held by Mr. TSAI Chung, Joseph and 160,000 ordinary shares held by his spouse.

4. It represents the sum of 20,605,952 ordinary shares or underlying ordinary shares directly or indirectly held by Parufam Limited (of which Mr. TSAI Chung, Joseph is a director and has been delegated sole voting and disposition power), 21,123,178 ordinary shares held by PMH Holding Limited (of which Mr. TSAI Chung, Joseph is the sole director), and 15,000,000 ordinary shares held by APN Ltd. (in which Mr. TSAI Chung, Joseph holds 30% equity interest and has been granted a revocable proxy to vote 15,000,000 ordinary shares owned by APN Ltd.).

5. It represents the 6,826,695 ordinary shares and/or options held by Joe and Clara Tsai Foundation Limited (whereby Mr. TSAI Chung, Joseph is the "founder" of the trust within the meaning of the SFO).

6. It represents 60,836 ordinary shares or underlying ordinary shares and 33,375 restricted share units beneficially held by Ms. HUANG Aizhu.

7. It represents 3,023 ordinary shares or underlying ordinary shares and 13,750 restricted share units beneficially held by Mr. KANG Kai.

8. It represents 81,017 ordinary shares held by Mr. WU Yongming, and 200,000 ordinary shares held by his spouse.

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

10. It represents 6,813,690 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, a non-executive Director, was a senior vice president of Alibaba Group and a special assistant to the chairman of the board of directors of Alibaba Holding;

— Mr. TSAI Chung, Joseph was a director and an executive vice chairman of Alibaba Holding;

— Ms. HUANG Aizhu was a senior director (資深總監) of rural Taobao;

— Mr. KANG Kai was a director (總監) of Tmall and head of the Tmall Pharmaceutical and Healthcare e-Commerce Business; and

— Mr. WANG Lei was a consultant to Alibaba Group,

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

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

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

4. SERVICE CONTRACTS

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

5. COMPETING INTERESTS

As at the Latest Practicable Date, Mr. WU Yongming, a non-executive Director, was the controlling shareholder of an entity which was a substantial shareholder of Choice Technology Inc., a company which operates a medical healthcare systems and data services platform, and 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. 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 0.02%) in the Company.

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

6. CONSENT OF EXPERT

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

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

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

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

7. MATERIAL ADVERSE CHANGE

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

8. DOCUMENTS AVAILABLE FOR INSPECTION

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

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

(ii) the Framework Technical Services Agreement;

(iii) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 15 of this circular;

(iv) the letter from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 17 to 43 of this circular;

(v) the written consent referred to in the section headed "Consent of Expert" of this Appendix; and

(vi) this circular.

9. LANGUAGE

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

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

"95095 Platform"	the third party online transaction platform for online pharmacies operated under the domain name yao.95095.com (or such other URLs as may be used by 95095 Platform, 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 95095 Platform)
"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
"Alibaba Group"	a group of companies comprising Alibaba Holding and its Subsidiaries, but, for the purpose of this circular, excluding the Group
"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
"Blue Cap Health Food"	food products that are registered ("註冊") or filed ("備案"), from time to time, with China Food and Drug Administration as "health food" ("保健食品") in accordance with the Health Food Registration and Filing Administrative Rules (《保健食品註冊與備案管理辦法》) and the Food Safety Law of the PRC (《中華人民共和國食品安全法》) (as such laws and regulations may be amended from time to time) and have obtained a health food ("Blue Cap") ("藍帽子") label with a unique registration or filing tracking number from the CFDA
"Board"	the board of Directors
"Business Day"	any day (other than a Saturday or Sunday or holiday) on which banks in Hong Kong, the PRC, Bermuda and the British Virgin Islands are open for the transaction of normal business
"Business Restructuring"	has the meaning given to it in the sub-section "The Share Purchase Agreement — (6) Completion and conditions precedent" of the letter from the Board in this circular
"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$3,800,000,000 for the Proposed Acquisition
"Consideration Shares"	1,187,500,000 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
"Excluded Products"	(i) any medicated liquor sold under the secondary category "health food alcohol" ("保健食品酒") under the primary category "alcohol" ("酒類") on Tmall.com; (ii) any energy drinks sold under the secondary category "drinks" ("飲料") under the primary category "coffee/oatmeal/instant drinks" ("咖啡/麥片/沖飲") on Tmall.com; (iii) any maternity health food sold under the secondary category "maternity nutritional products" ("孕產婦營養品") under the primary category "maternity wear/maternity products/nutritional products" ("孕婦裝/孕產婦用品/營養品") on Tmall.com; and (iv) secondary category "infant and toddler nutritional products" ("嬰幼兒營養品") under the primary category "milk powder/supplemental food/nutritional products/ snacks" ("奶粉/輔食/營養品/零食") on Tmall.com
"Existing Target Merchant"	a Target Merchant which is party to an Existing Target Merchant Contract as of the date of the Share Purchase Agreement
"Existing Target Merchant Contract"	in respect of a Target Merchant, the existing services agreement between Tmall Technology (or its applicable Affiliate) 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 18, 2017 between the WFOE and the Tmall Entities
"GMV"	gross merchandise volume

"Group"	the Company and its Subsidiaries (after Completion, including the Target Group)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"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 and the connected transactions contemplated thereunder
"Independent Financial Advisor" or "Platinum"	Platinum Securities Company Limited, a corporation licensed under the Securities and Futures Ordinance to provide Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, and the independent financial advisor appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Share Purchase Agreement, the Framework Technical Services Agreement and the connected transactions contemplated thereunder
"Independent Shareholders"	the Shareholders of the Company, other than (i) Alibaba Holding and its associates, including Perfect Advance Holding Limited; and (ii) those who are required to abstain from voting at the SGM to be convened to approve the Share Purchase Agreement, the Framework Technical Services Agreement and the connected transactions contemplated thereunder
"Issue Price"	the per share price of HK$3.20 for the issue of each Consideration Share
"Last Trading Day"	May 18, 2017, 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"	June 7, 2017, 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

"Merchant"	a legal entity which conducts the sale of products or provision of services on Tmall.com
"Merchant Assignment"	has the meaning given to it in the sub-section "2.1 Principal terms of the Share Purchase Agreement — (7) Business Restructuring" of the letter from the Board in this circular
"Non-competition Period"	the period commencing on Completion and ending on the earliest of: (i) the Shares ceasing to be listed on the Stock Exchange; (ii) Alibaba Holding ceasing to beneficially own an aggregate of 30% or more of the voting securities of the Company; and (iii) Alibaba Holding no longer being the single largest Shareholder (aggregated with the Shares beneficially owned by persons acting in concert with Alibaba Holding)
"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
"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, 2017; (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
"Restricted Business"	has the meaning given to it in the section "2.2 The Proposed Deed of Non-competition" of the Letter from the Board in this circular
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"SGM"	the special general meeting of the Company to be convened for the Independent Shareholders to consider, and vote, on the Share Purchase Agreement, the Framework Technical Services Agreement and the connected transactions contemplated thereunder
"Shareholder(s)"	holder(s) of the Shares
"Shares"	ordinary shares of par value HK$0.01 each in the share capital of the Company

"Share Purchase Agreement"	the share purchase agreement dated May 18, 2017 entered into between the Company and the Vendor in respect of the Proposed Acquisition
"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 Nutritional 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 Blue Cap Health Food products sold on Tmall.com, excluding any Excluded Products
"Tmall Entities"	Tmall Technology and Tmall Network, 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"	the third party online platform for brands and retailers operated by the Tmall Entities under the domain name tmall.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, Tmall Supermarket and 95095 Platform
"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, 2017
"Tripartite Agreements"	the tripartite agreements to be entered into among the Target Merchants, the WFOE and 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 Information Technology Co., Ltd* (杭州衡平信息科技有限公司), 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.*

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

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

Notice is hereby given that a special general meeting (the "**SGM**") of Alibaba Health Information Technology Limited (the "**Company**") will be held at Units 2302–2305, 23/F, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong on Thursday, June 29, 2017 at 3:30 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 18, 2017 (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)."

Resolution in relation to the increase in authorized share capital

2. "**THAT** the authorized share capital of the Company be increased from HK$100,000,000, comprising of 10,000,000,000 shares of par value HK$0.01 each (the "**Shares**"), to HK$150,000,000, comprising of 15,000,000,000 Shares of par value HK$0.01 each, by the creation of 5,000,000,000 Shares of par value HK$0.01 each, each ranking pari passu in all respects with the existing Shares."

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

3. "**THAT**

   (a) subject to the passing of resolutions 1(a), 1(b) and 2 and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the 1,187,500,000 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;

   (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 Framework Technical Services Agreement

4. "**THAT**

(a) subject to the passing of resolutions 1(a) and 1(b), the software services agreement entered into between Hangzhou Hengping Information Technology Co., Ltd* (杭州衡平信息科技有限公司), 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 18, 2017, the non-exempt continuing connected transactions contemplated thereunder and the proposed annual caps for the year ending March 31, 2018, 2019 and 2020, be and are hereby approved, confirmed and ratified;

(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
WANG Lei
Chief Executive Officer and Executive Director

Hong Kong, June 12, 2017

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. WANG Lei; (ii) four are non-executive Directors, namely Mr. WU Yongming, Mr. TSAI Chung, Joseph, Ms. HUANG Aizhu and Mr. KANG Kai; and (iii) three are independent non-executive Directors, namely Mr. YAN Xuan, Mr. LUO Tong and Mr. WONG King On, Samuel.

* *English name for identification purpose only.*