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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Alibaba Health Information Technology Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities in Alibaba Health Information Technology Limited.

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

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 00241)**

### CONNECTED TRANSACTIONS ENTRY INTO OF SUBSCRIPTION AGREEMENTS AND ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

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



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A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 14 to 15 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 16 to 36 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 immediately after the conclusion of the annual general meeting of the Company to be held at the same location on Wednesday, July 10, 2019 at 10:00 a.m. (or any adjournment thereof) is set out on pages 43 to 44 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 24, 2019

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## DEFINITIONS

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*In this circular, save as the context otherwise requires, the defined terms shall have the following meanings:*

“Ali JK”	Ali JK Nutritional Products Holding Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Alibaba Holding
“Ali JK Subscription Agreement”	the subscription agreement dated May 23, 2019 entered into between the Company and Ali JK
“Alibaba Group”	a group of companies comprising Alibaba Holding and its subsidiaries
“Alibaba Holding”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands and the American depository shares of which are listed on the New York Stock Exchange (Stock Code: BABA)
“Ant Financial”	浙江螞蟻小微金融服務集團股份有限公司 (Ant Small and Micro Financial Services Group Co., Ltd.*), a company incorporated in the PRC with limited liability, which together with its subsidiaries have been deemed by the Stock Exchange as connected persons of the Company
“Antfin”	Antfin (Hong Kong) Holding Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of Ant Financial
“Antfin Subscription Agreement”	the subscription agreement dated May 23, 2019 entered into between the Company and Antfin
“associate(s)”	has the meaning given to it under the Listing Rules
“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
“Company”	Alibaba Health Information Technology Limited (阿里健康信息技術有限公司), a company incorporated in Bermuda and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00241)
“Completion”	the completion of the subscription of the Subscription Shares under the Subscription Agreements
“connected person”	has the meaning given to it under the Listing Rules
“Director(s)”	director(s) of the Company

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## DEFINITIONS

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“GMV”	gross merchandise volume
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising Mr. LUO Tong, Mr. WONG King On, Samuel and Ms. HUANG Yi Fei, (Vanessa), being the independent non-executive Directors, established to advise the Independent Shareholders on the Subscription
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription
“Independent Shareholders”	the Shareholders of the Company, other than (i) the Subscribers and their associates; and (ii) those who are required to abstain from voting at the SGM to be convened to approve the Subscription
“Last Trading Day”	May 22, 2019, being the last full trading day for the Shares immediately before the entry into of the Subscription Agreements
“Latest Practicable Date”	June 19, 2019, being the latest practicable date prior to the printing of this circular for the purpose of 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
“Perfect Advance”	Perfect Advance Holding Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of Alibaba Holding
“PRC” or “China”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region and Taiwan

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held and convened to consider and approve the Subscription and the grant of the Specific Mandate
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary shares of par value HK\$0.01 each in the share capital of the Company
“Specific Mandate”	the specific mandate to be sought at the SGM to allot and issue the Subscription Shares to the Subscribers as contemplated under the Subscription Agreements
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	Ali JK and Antfin, each a Subscriber and collectively the Subscribers
“Subscription”	the subscription of the Subscription Shares by the Subscribers pursuant to the Subscription Agreements
“Subscription Agreements”	the Ali JK Subscription Agreement and the Antfin Subscription Agreement
“Subscription Price”	the price of HK\$7.50 per share for the issue of each Subscription Share
“Subscription Shares”	302,976,000 new Shares to be allotted and issued to the Subscribers pursuant to the Subscription Agreements
“%”	per cent

\* *For identification purposes 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)**

*Executive Directors:*

Mr. SHEN Difan (*Chief Executive Officer*)

Mr. WANG Qiang

*Non-executive Directors:*

Mr. WU Yongming (*Chairman*)

Mr. WANG Lei

Mr. XU Hong

*Independent Non-executive Directors:*

Mr. LUO Tong

Mr. WONG King On, Samuel

Ms. HUANG Yi Fei, (Vanessa)

*Registered Office:*

Canon's Court

22 Victoria Street

Hamilton, HM 12

Bermuda

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

26/F Tower One

Times Square

1 Matheson Street

Causeway Bay

Hong Kong

June 24, 2019

*To the Shareholders*

Dear Sir/Madam,

**CONNECTED TRANSACTIONS**

**ENTRY INTO OF SUBSCRIPTION AGREEMENTS AND ISSUE OF  
NEW SHARES UNDER SPECIFIC MANDATE**

**1 INTRODUCTION**

On May 23, 2019 (before trading hours), the Board announced that the Company and Ali JK entered into the Ali JK Subscription Agreement in relation to the subscription of an aggregate of 242,400,000 Subscription Shares at the Subscription Price of HK\$7.50 per Subscription Share. On the same day (before trading hours), the Company and Antfin entered into the Antfin Subscription Agreement in relation to the subscription of an aggregate of 60,576,000 Subscription Shares at the Subscription Price of HK\$7.50 per Subscription Share.

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## LETTER FROM THE BOARD

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

## 2 THE SUBSCRIPTION AGREEMENTS

### 2.1 Principal terms of the Subscription Agreements

**(1) Date**

May 23, 2019

**(2) Parties to the Ali JK Subscription Agreement**

- (a) the Company as the issuer; and
- (b) Ali JK as a Subscriber.

**(3) Parties to the Antfin Subscription Agreement**

- (a) the Company as the issuer; and
- (b) Antfin as a Subscriber.

**(4) The Subscription**

Pursuant to the Ali JK Subscription Agreement, the Company has conditionally agreed to allot and issue, and Ali JK has conditionally agreed to subscribe for, 242,400,000 Subscription Shares at the total subscription price of HK\$1,818,000,000.

Pursuant to the Antfin Subscription Agreement, the Company has conditionally agreed to allot and issue, and Antfin has conditionally agreed to subscribe for, 60,576,000 Subscription Shares at the total subscription price of HK\$454,320,000.

The total subscription price of HK\$2,272,320,000 pursuant to the Subscription shall be payable in cash by each of the Subscribers to the Company at Completion.

**(5) The Subscription Shares**

The Subscription Shares represent approximately: (i) 2.59% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) 2.52% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. Based on the current shareholding structure of the

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## LETTER FROM THE BOARD

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Company, the Company will continue to be able to satisfy the public float requirement under the Listing Rules following the issue of the Subscription Shares.

The Subscription Shares will be allotted and issued under the Specific Mandate to be sought at the SGM.

**(6) *Ranking***

The Subscription Shares, when allotted and issued, shall rank *pari passu* in all respects among themselves and with all the Shares in issue as at the date of allotment and issue of the Subscription Shares.

**(7) *Lock-up***

For a period of 18 months from Completion, each Subscriber has agreed that it will not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or other third party rights in respect of its Subscription Shares, except for a disposal to the Subscriber's affiliate or otherwise with the prior written consent of the Company.

**(8) *The Subscription Price***

The Subscription Price represents:

- (a) a discount of approximately 2.47% to the closing price of the Shares of HK\$7.69 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 2.34% to the closing price of the Shares of HK\$7.68 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 4.21% to the average closing price for the 5 consecutive trading days up to and including the Last Trading Day of approximately HK\$7.83 per Share;
- (d) a discount of approximately 7.19% to the average closing price for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$8.08 per Share;
- (e) a discount of approximately 10.91% to the average closing price for the 15 consecutive trading days up to and including the Last Trading Day of approximately HK\$8.42 per Share;
- (f) a discount of approximately 9.71% to the average closing price for the 90 consecutive trading days up to and including the Last Trading Day of approximately HK\$8.31 per Share;



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## LETTER FROM THE BOARD

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- (g) a discount of approximately 2.48% to the average closing price for the 180 consecutive trading days up to and including the Last Trading Day of approximately HK\$7.69 per Share; and
- (h) a premium of approximately 26.7 times over the net asset value per Share attributable to the Shareholders as at March 31, 2019 of approximately RMB0.2386 per Share (equivalent to HK\$0.2711 based on the exchange rate of RMB1:HK\$0.88).

The net Subscription Price, after the deduction of the related expenses, is estimated to be approximately HK\$7.50 per Subscription Share.

The aggregate nominal value of the Subscription Shares will be HK\$3,029,760.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers, having taken into account the share price performance of the Company in the 180 trading days up to and including the Last Trading Day.

The Directors (including the independent non-executive Directors who have taken into account the advice from the Independent Financial Adviser) consider that the Subscription Price and the terms and conditions of the Subscription Agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### ***(9) Conditions precedent***

Completion will take place on the Business Day immediately following the satisfaction of the following conditions:

- (a) the passing by the Independent Shareholders at a duly convened Shareholders' meeting of the Company of resolution(s) approving the issue of the Subscription Shares pursuant to the Subscription Agreements;
- (b) in the case of the Antfin Subscription Agreement, the Ali JK Subscription Agreement having become unconditional;
- (c) the granting of the approval of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares; and
- (d) no governmental authority in any relevant jurisdiction having enacted any laws, rules or regulations which might render Completion or any part thereof unlawful.

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## LETTER FROM THE BOARD

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If any of the conditions precedent set out above has not been fulfilled on or before September 30, 2019 (or such other date as may be agreed between the Company and the Subscribers), the Subscription Agreements shall automatically terminate with immediate effect pursuant to its terms.

For the avoidance of doubt, the completion of the Antfin Subscription Agreement is conditional upon the Ali JK Subscription Agreement having become unconditional.

As at the Latest Practicable Date, none of the conditions was satisfied.

### 2.2 Application for listing of the Subscription Shares

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares to be allotted and issued pursuant to the Subscription Agreements.

### 2.3 Effect of the Subscription on the shareholding structure of the Company

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

	As at the Latest Practicable Date		Immediately after Completion	
	Number of Shares	%	Number of Shares	%
Perfect Advance ( <i>Note 1</i> )	3,103,816,661	26.50	3,103,816,661	25.83
Ali JK ( <i>Note 2</i> )	3,457,511,207	29.52	3,699,911,207	30.80
Antfin	0	0.00	60,576,000	0.50
Innovare Tech Limited	1,316,811,347	11.24	1,316,811,347	10.96
Directors of the Company or its subsidiaries	10,877,769	0.09	10,877,769	0.09
Other shareholders	<u>3,823,210,480</u>	<u>32.65</u>	<u>3,823,210,480</u>	<u>31.82</u>
Total	<u>11,712,227,464</u>	<u>100.00</u>	<u>12,015,203,464</u>	<u>100.00</u>

*Notes:*

1. Perfect Advance is an indirect wholly-owned subsidiary of Alibaba Holding.
2. Ali JK is itself a substantial Shareholder and a wholly-owned subsidiary of Alibaba Holding.

### 2.4 Equity fund raising activities in the past 12 months

The Company did not conduct any equity fund raising activities in the 12 months immediately preceding the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### **2.5 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 are pharmaceutical and healthcare product and service sales business, consumer healthcare business, Internet healthcare business and intelligent medicine business.

### **2.6 Information on the Subscribers, Alibaba Group and Ant Financial**

Ali JK is an offshore holding vehicle incorporated in the British Virgin Islands and is wholly-owned by Alibaba Holding.

Alibaba Holding is a company incorporated in the Cayman Islands and its American depository shares are listed on the New York Stock Exchange (Stock Code: BABA). Alibaba Group's mission is to make it easy to do business anywhere. It is the largest retail commerce business in the world in terms of GMV in the twelve months ended March 31, 2019 according to Analysys. Founded in 1999, Alibaba Group provides the fundamental technology infrastructure and marketing reach to help merchants, brands and other businesses to leverage the power of new technology to engage with their users and customers and operate in a more efficient way. Alibaba Group's businesses comprise core commerce, cloud computing, digital media and entertainment and innovation initiatives and others.

Antfin is a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of Ant Financial. Ant Financial is a company incorporated in the PRC dedicated to using technology to bring the world equal opportunities. Ant Financial's technologies, including blockchain, artificial intelligence, security, Internet of Things and computing, empower the company and its ecosystem partners to serve the unbanked and underbanked, bringing more secure, transparent, cost-effective and inclusive financial services to individuals and small and micro-sized individual customer and small businesses worldwide.

### **2.7 Reasons for and benefits of the Subscription and use of proceeds**

As previously disclosed by the Company, the Group, whose mission is to “make good health achievable at the fingertips”, has been strengthening the foundation of its healthcare business and actively planning for its future. With its vision of “facilitating medicine through big data and using the Internet to change the face of healthcare to provide fair, affordable and accessible medical and healthcare services to 1 billion people”, the Group has been striving to expand its pharmaceutical and healthcare product and service sales business, actively expand its Internet-based medical platform, optimize its product and service offerings, explore intelligent medicine by using AI and Internet of Things technologies, and develop its consumer healthcare business.

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## LETTER FROM THE BOARD

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In the past year, some of these activities were funded by internal cash while others were funded by loans, for which a significant interest expense was incurred. The Subscription will enable the Group to raise funds for its expanding business operations and maintain a healthy cash position, while keeping its borrowings and hence interest expenses low. The participation in the Subscription by Alibaba Holding (through Ali JK, its wholly-owned subsidiary), which is the ultimate majority shareholder of the Company, demonstrates its continued support for the Company's development as Alibaba Group's flagship vehicle to execute its data-driven healthcare strategy. At the same time, the Company believes that the participation in the Subscription by Ant Financial (through Antfin, its wholly-owned subsidiary) will also facilitate deeper cooperation with Ant Financial, with which it had already previously signed a strategic cooperation agreement with, as disclosed by the Company in its announcement dated November 14, 2018.

The Company intends to apply the net proceeds of the Subscription in the following manner:

- approximately 50% of the net proceeds of the Subscription will be used for repayment of loans which are due in December 2019 and which have been used to fund the ongoing business operations and expansion, including inventory expansion, warehousing and delivery and system construction, of the Group's pharmaceutical business, and to recruit more technical and operational personnel to develop Internet-based medical services and intelligent medicine services;
- approximately 25% of the net proceeds of the Subscription will be used for the Company's previous committed investments and investment projects under review, including investments in pharmacy chains and investments in companies primarily engaged in pharmaceutical distribution and medical informatization; and
- the remaining of approximately 25% of the net proceeds of the Subscription will be used for future strategic investment opportunities as and when opportunities arise.

The Company has considered other forms of fund-raising methods, namely other means of equity financing (such as a rights issue or an open offer) and debt financing (such as bank and other borrowings). Other means of equity financing, such as a rights issue, would (i) incur additional costs, including but not limited to underwriting commission and documentation and other professional fees; and (ii) take a relatively longer timeframe when compared to the subscription of new Shares. In relation to debt financing, further borrowings would create additional interest burden for the Group and the due diligence and negotiation process with the relevant banks may be lengthy, and debt financing would also increase the debt-to-equity ratio of the Group. While the Company has considered placing new shares to independent third parties, the Directors consider that a placing to Alibaba Group will reinforce the Group's strategic alliance with Alibaba Group and Ant Financial respectively and provides an efficient

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## LETTER FROM THE BOARD

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means of raising capital for the Group's present needs. Accordingly, the Company has entered into the Subscription Agreements with the Subscribers to provide the Group with further capital.

The Directors (including the independent non-executive Directors who have taken into account the advice from the Independent Financial Adviser) are of the view that the Subscription Agreements are entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscribers and that the terms of the Subscription Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **2.8 Implications under the Listing Rules**

As Ali JK itself is a substantial Shareholder, and also a wholly-owned subsidiary of Alibaba Holding, the ultimate majority shareholder of the Company, Ali JK is a connected person of the Company. As Antfin is an indirect wholly-owned subsidiary of Ant Financial, which, together with its subsidiaries, were confirmed as deemed connected persons of the Company by the Stock Exchange in July 2017 under Rule 14A.19 of the Listing Rules, Antfin is therefore a connected person of the Company. Accordingly, the entry into of the Subscription Agreements and the transactions contemplated thereunder (including the Subscription and the issue of the Subscription Shares under the Specific Mandate) constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to, among others, the approval of the Independent Shareholders at the SGM.

As Mr. WU Yongming, Mr. WANG Lei and Mr. XU Hong are employees of Alibaba Holding or its subsidiaries, each of these Directors is deemed or may be perceived to have a material interest in the transactions contemplated under the Subscription Agreements. Accordingly, they have abstained from voting on the board resolutions in connection with the Subscription. Other than the aforesaid Directors, no other Directors have a material interest in the Subscription or are required to abstain from voting on the relevant board resolutions.

The SGM will be held to consider and, if thought fit, pass the resolution(s) to approve the Subscription Agreements, the connected transactions contemplated thereunder and the grant of the Specific Mandate for the allotment and issue of the Subscription Shares. The voting at the SGM will be conducted by way of a poll whereby Mr. WU Yongming, Mr. WANG Lei, Mr. XU Hong, the Subscribers and their associates shall abstain from voting on the relevant resolution(s) to be proposed at the SGM to approve the Subscription Agreements, the connected transactions contemplated thereunder and the grant of the Specific Mandate for the allotment and issue of the Subscription Shares. As at the Latest Practicable Date, Ali JK and its associates were interested in 6,561,327,868 Shares, representing approximately 56.02% of the issued share capital of the Company as at the Latest Practicable Date, and Antfin did not have any interest in the issued share capital of the Company as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### **2.9 Independent Board Committee and Independent Financial Adviser**

The Company has established an Independent Board Committee comprising all the independent non-executive Directors to advise the Independent Shareholders on the Subscription. Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **3 RECOMMENDATION**

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

### **4 GENERAL**

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

### **5 SGM AND PROXY ARRANGEMENT**

The notice of the SGM is set out on pages 43 to 44 of this circular. At the SGM, resolution(s) will be proposed to approve the Subscription Agreements, the connected transactions contemplated thereunder and the grant of the Specific Mandate for the allotment and issue of the Subscription Shares.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the proposed resolution(s) 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.

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## LETTER FROM THE BOARD

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

By Order of the Board

**SHEN Difan**

*Chief Executive Officer and Executive Director*



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

June 24, 2019

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTIONS**  
**ENTRY INTO OF SUBSCRIPTION AGREEMENTS AND ISSUE OF**  
**NEW SHARES UNDER SPECIFIC MANDATE**

We refer to the circular of the Company dated June 24, 2019 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 Subscription Agreements, the connected transactions contemplated thereunder and the grant of the Specific Mandate for the allotment and issue of the Subscription Shares; whether the terms of the Subscription Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and how to vote on the resolution(s) regarding the Subscription Agreements, the connected transactions contemplated thereunder, and the grant of the Specific Mandate for the allotment and issue of the Subscription Shares, taking into account the recommendations from the Independent Financial Adviser.

Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Subscription Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote on the relevant resolution(s).

Your attention is drawn to:

- (a) the letter from the Board set out on pages 4 to 13 of this circular which contains its recommendation to the Independent Shareholders and the additional information set out in the Appendix to this circular; and



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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- (b) the letter from the Independent Financial Adviser set out on pages 16 to 36 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders, together with the principal factors and reasons taken into consideration in arriving at such advice.

Having considered the advice from Somerley, we are of the view that while the Subscription Agreements were not entered into in the ordinary and usual course of business of the Group, they were entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscribers and that the terms of the Subscription Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolution(s) in relation to the Subscription Agreements, the connected transactions contemplated thereunder and the grant of the Specific Mandate for the allotment and issue of the Subscription Shares to be presented at the SGM.

Yours faithfully,  
Independent Board Committee  
**Mr. LUO Tong, Mr. WONG King On, Samuel  
and Ms. HUANG Yi Fei, (Vanessa)**  
*Independent Non-Executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



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

24 June 2019

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

Dear Sirs,

### **CONNECTED TRANSACTIONS ENTRY INTO OF SUBSCRIPTION AGREEMENTS AND ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE**

#### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the issue of new shares to the Subscribers pursuant to the Subscription Agreements entered into between the Company and the Subscribers. Details of the Subscription are set out in the circular of the Company dated 24 June 2019 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 23 May 2019, the Company and Ali JK entered into the Ali JK Subscription Agreement in relation to the subscription of an aggregate of 242,400,000 Subscription Shares at the Subscription Price of HK\$7.50 per Subscription Share. On the same day, the Company and Antfin entered into the Antfin Subscription Agreement in relation to the subscription of an aggregate of 60,576,000 Subscription Shares at the Subscription Price of HK\$7.50 per Subscription Share. The Subscription Shares in aggregate represent approximately (i) 2.59% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) 2.52% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. The completion of the Antfin Subscription Agreement is conditional upon the Ali JK Subscription Agreement having become unconditional. The Subscription Shares will be allotted and issued under the Specific Mandate to be sought at the SGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As Ali JK is a substantial shareholder of the Company and a wholly-owned subsidiary of Alibaba Holding, the ultimate majority shareholder of the Company, Ali JK is a connected person of the Company. As Antfin is an indirect wholly-owned subsidiary of Ant Financial, which, together with its subsidiaries, were confirmed as deemed connected persons of the Company by the Stock Exchange in July 2017 under Rule 14A.19 of the Listing Rules, Antfin is a connected person of the Company. Accordingly, the entry into of the Subscription Agreements and the transactions contemplated thereunder constitutes connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to, among others, the approval of the Independent Shareholders at the SGM.

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. LUO Tong, Mr. WONG King On, Samuel and Ms. HUANG Yi Fei, (Vanessa), has been established to advise the Independent Shareholders in respect of the Subscription and on how they should vote at the SGM. We, Somerley Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

As at the Latest Practicable Date, Somerley Capital Limited did not have any relationships or interests with the Company that could reasonably be regarded as a hinderance to the independence of Somerley Capital Limited as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription. In the past two years, except for the independent financial adviser engagement in relation to the connected transactions regarding the entry into of a subscription agreement with Ali JK and the issue of new shares under a specific mandate, details of which were set out in the circular of the Company dated 15 December 2017, there has been no other engagement between the Group and Somerley Capital Limited. We do not consider that the past engagement as independent financial adviser gives rise to any conflict for Somerley Capital Limited to act as the independent financial adviser in respect of the Subscription. Apart from normal professional fees paid in respect of the past engagement or payable to us in connection with this appointment as the independent financial adviser in respect of the Subscription, no arrangement exists whereby we will receive any fees or benefits from the Company.

In formulating our advice, we have reviewed, among other things, the Subscription Agreements, the annual report of the Company for the financial years ended 31 March 2018 (the “**2018 Annual Report**”) and 31 March 2019 (the “**2019 Annual Report**”) and the Circular. We have relied on the information and facts supplied, and the opinions expressed, by the Directors and the management of the Group, and have assumed that they are true, accurate and complete in all material aspects. We have also sought and received confirmation from the Directors, that all material relevant information has been supplied to us and that no material facts have been omitted or withheld from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our opinion and recommendation as set out in

this letter. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Subscribers, Ant Financial and Alibaba Group, nor have we carried out any independent verification of the information supplied.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

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

### **1. Background of the Group, the Subscribers, Ant Financial and Alibaba Holding**

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 are pharmaceutical and healthcare product and service sales business, consumer healthcare business, Internet healthcare business and intelligent medicine business.

Ali JK is an offshore holding vehicle incorporated in the British Virgin Islands and it is wholly-owned by Alibaba Holding. As disclosed in the Circular, Alibaba Group's mission is to make it easy to do business anywhere. It is the largest retail commerce business in the world in terms of GMV in the twelve months ended 31 March 2019 according to Analysys, an internet large data analysis products and service provider. Founded in 1999, Alibaba Group provides the fundamental technology infrastructure and marketing reach to help merchants, brands and other businesses to leverage the power of new technology to engage with their users and customers and operate in a more efficient way. Alibaba Group's businesses comprise core commerce, cloud computing, digital media and entertainment, innovation initiatives and others.

Antfin is a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of Ant Financial. Ant Financial is a company incorporated in the PRC dedicated to using technology to bring the world equal opportunities. Ant Financial's technologies, including blockchain, artificial intelligence, security, Internet of Things and computing, empower itself and its ecosystem partners to serve the unbanked and underbanked, bringing more secure, transparent, cost-effective and inclusive financial services to individuals and small and micro-sized customers and small businesses worldwide.

### **2. Background to and reasons for the Subscription Agreements**

As set out in the "Letter from the Board" contained in the Circular, in the past year, the Group has been striving to expand its pharmaceutical and healthcare product and service sales business, actively expanding its Internet-based medical platform, optimising its product and service offerings, exploring intelligent medicine by using artificial intelligence and Internet of Things technologies, and developing its consumer healthcare business. Some of these activities were funded by internal cash while others by loans, for which a significant interest expense was incurred. According to the 2019 Annual Report and the 2018 Annual Report, finance costs of approximately RMB10.1

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million was incurred for the year ended 31 March 2018, representing an increase of approximately 47.1% from the year ended 31 March 2017. For the year ended 31 March 2019, finance costs further increased to approximately RMB28.0 million, representing an increase of approximately 176.2% as compared to last year. Such increment was mainly due to the increase of approximately RMB716.7 million in the average loan balance given the Group's borrowings from Alibaba Group during the year.

As set out in the 2019 Annual Report and the 2018 Annual Report, the cash and bank balances (including time deposits with original maturity of over three months) increased by approximately 145.2% from approximately RMB569.9 million as at 31 March 2017 to approximately RMB1,397.2 million as at 31 March 2018, and decreased by approximately 79.9% to approximately RMB280.4 million as at 31 March 2019. The Group also recorded interest-bearing loans of approximately RMB1.7 billion as at 31 March 2019. Current ratio of the Group dropped from approximately 3.47 to 1.02 from 31 March 2018 to 31 March 2019.

As advised by management of the Company, the Group obtained short-term loans of RMB2 billion from Zhejiang Tmall Technology Co., Ltd. ("**Zhejiang Tmall**"), a member of the Alibaba Group, during the year ended 31 March 2019, of which RMB1.7 billion was unpaid as at 31 March 2019. As advised by management of the Company, the Company considered that obtaining debt financing from Alibaba Group at the time was suitable as a temporary means of raising a substantial amount of funds for a short term period. We understand from the management of the Company that the outstanding loan has been partially repaid subsequent to the year ended 31 March 2019, and the remaining funds are planned to be used to fund ongoing business operations, including but not limited to, inventory and warehouse management for pharmaceutical businesses and recruitment of information technology engineers and operational staff for its internet healthcare business. As such borrowings will be due in the short term, management of the Company considers that additional funds are needed for repayment of the borrowing on one hand, and for the Group's long-term development and expansion of ongoing business operations, while allowing the Group to maintain a healthy cash position, on the other hand.

The Group's operations have been undergoing rapid expansion in recent years after the commencement of its pharmaceutical e-commerce business during the year ended 31 March 2017. It has put substantial efforts and resources in the operation of its self-operated online stores, the success of which leads to a rapid growth in revenue of the Group in recent years. As demonstrated in the section headed "3. Financial information of the Group" of this letter below, the profitability of the Group (excluding the share-based compensation expenses) has improved from 2017 to 2019. As set out in the 2019 Annual Report, with the launch and implementation of policies in the PRC which have significantly expanded the drug retail market outside of hospitals and the increased online penetration rate of pharmaceutical product sales, the Group is in a position to benefit from these changes and therefore it is crucial for the Group to expand its operations further to capture the potential business opportunities.

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In light of this, the Subscription will enable the Group to raise funds for the expansion of its business operations, including the further diversification of its product and service categories and the expansion of its consumer base, and for the Group to maintain a healthy cash position, while keeping its borrowings and hence interest expenses low, which would in turn maximise the Shareholders' value.

As set out in the "Letter from the Board" contained in the Circular, the gross proceeds of the Subscription will be HK\$2,272.32 million. As advised by the management of the Company, the Company intends to apply the net proceeds of the Subscription for repayment of loans which have been used to fund ongoing business operations and expansion, for completion of previous committed investments, investment projects under review as well as future strategic acquisitions as and when appropriate opportunities arise. For details of the allocation of the use of net proceeds, please refer to the section headed "2.7 Reasons for and benefits of the Subscription and use of proceeds" in the "Letter from the Board" contained in the Circular.

As advised by the management of the Company, they have considered other forms of fund-raising, namely other means of equity financing (such as a rights issue) and debt financing (such as bank and other borrowings). Other means of equity financing, such as a rights issue, would (i) incur additional costs, including but not limited to underwriting commission and documentation and other professional fees; and (ii) take a relatively longer timeframe as compared to subscription of new Shares. In relation to debt financing, further borrowings would create additional interest burden for the Group and the due diligence and negotiation process with the relevant banks may be lengthy, debt financing would also increase the debt-to-equity ratio of the Group. While the Company has considered placing new shares to independent third parties, the management of the Company considers that on one hand, a placing to Alibaba Group will reinforce the Group's strategic alliance with Alibaba Group and provide an efficient means of raising capital for the Group's present needs. It also shows Alibaba Group's continued support for the Company's development as Alibaba Group's flagship vehicle to execute its data-driven healthcare strategy. On the other hand, the management of the Company is of the view that the participation in the Subscription by Ant Financial through Antfin will facilitate deeper cooperation with Ant Financial, further to the strategic cooperation agreement entered into between the Company and a subsidiary of Ant Financial on 14 November 2018. Both Subscribers have further reinforced their strategic commitments by agreeing to an 18-month lock-up period of the Subscription Shares, a term unlikely to be undertaken by other financial investors. We understand from the management of the Company that both Subscribers have also committed to the completion of the Subscription at the earliest time frame. The strategic nature can provide certainty in the current macro market environment. Taking into account the above, the Company entered into the Subscription Agreements with the Subscribers to provide the Group with further capital.

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Given that (i) the Subscription can potentially improve the financial position of the Group upon Completion, in particular, the enhancement in working capital, cash position and net asset value of the Group; and (ii) the Subscription is the most appropriate means for the Group to raise funds among other fund raising alternatives, the Directors (excluding the independent non-executive Directors) consider, and we concur, that the entry into of the Subscription Agreements is in the interests of the Company and its shareholders as a whole.

### 3. Financial information of the Group

#### *Financial results*

Set out below is certain audited financial information of the Group for each of the three years ended 31 March 2017, 2018 and 2019 as extracted from the 2019 Annual Report and the 2018 Annual Report.

	For the year ended 31 March		
	2019	2018	2017
	RMB'000	RMB'000	RMB'000
Revenue	5,095,867	2,442,618	475,078
Gross profit	1,331,263	652,824	187,243
Gross profit margin	26.1%	26.7%	39.4%
<b>Loss attributable to:</b>			
— owners of the parent	(81,949)	(106,974)	(207,626)
— non-controlling interests	(9,815)	(2,060)	(1,027)
<b>Loss for the year</b>	<b>(91,764)</b>	<b>(109,034)</b>	<b>(208,653)</b>
<b>Excluding (Non-HKFRS adjustment)</b>			
<i>(Note)</i>			
Share-based compensation expenses	<u>213,493</u>	<u>117,034</u>	<u>110,324</u>
<b>Adjusted net profit/(loss)</b>	<b><u>121,729</u></b>	<b><u>8,000</u></b>	<b><u>(98,329)</u></b>

*Note:* HKFRS represents Hong Kong Financial Reporting Standards.

***Revenue***

Revenue for the year ended 31 March 2018 increased by approximately RMB1,967.5 million, representing an increase of approximately 4.1 times, as compared to 2017. The increase was mainly due to an increase in healthcare product sales from its self-operated online stores (AliHealth Pharmacy and AliHealth Overseas Flagship Store) as the Group proactively enriched its product offerings on its self-operated online stores. In addition, the acquisition of health food category e-commerce platform services business from Alibaba Group in June 2017 also contributed to the revenue growth and the Group provides e-commerce platform services to health food merchants on the Tmall platform in consideration of software service fees from them.

The Group's revenue for the year ended 31 March 2019 amounted to approximately RMB5,095.9 million, representing an increase of approximately RMB2,653.2 million or approximately 108.6% as compared to that of 2018. Such increase was mainly attributable to the rapid growth in the Group's pharmaceutical sales from its self-operated online stores with significant increase in annual active consumers on its online stores, following the continual enrichment of the categories of goods sold, more detailed management of the self-operated business, optimisation of the customer purchase experience and enhancement of repeated purchases by customers during the year. It was also attributable to the increase in revenue from pharmaceutical e-commerce platform services on the Tmall Pharmacy platform. Such increment was mainly attributable to the further acquisition of business in relation to the categories of medical devices and healthcare products, sexual health and family planning products, contact lenses, and medical and healthcare services from Alibaba Group in August 2018.

***Gross profit margin***

During the year ended 31 March 2017, the gross profit margin was approximately 39.4%. Gross profit margin for the years ended 31 March 2018 and 31 March 2019 are comparable at around 26%. The change in gross profit margin was mainly attributable to the significant changes in the composition of the Group's businesses as compared with the year ended 31 March 2017, with increasing focus on the healthcare product sales business and e-commerce platform services in 2018 and 2019. Prior to the financial year ended 31 March 2017, the Group mainly generated revenue from its product tracking platforms, which had a relatively higher gross profit margin as compared to the pharmaceutical e-commerce businesses.



*Loss for the year and adjusted net profit/loss*

The Group incurred a loss of approximately RMB109.0 million for the year ended 31 March 2018 as compared to approximately RMB208.7 million for the year ended 31 March 2017, representing a decrease of approximately 47.7%. The decrease in loss was mainly attributable to the increase in gross profit which is in line with the revenue growth, offset by an increase in fulfilment costs (including costs of warehousing, shipping, operating and customer services), which are associated with the Group's online pharmacy business for over-the-counter drugs and other health related products, and sales and marketing expenses.

For the year ended 31 March 2019, the Group recorded a loss of approximately RMB91.8 million, representing a decrease in loss of approximately 15.8% as compared to the prior year. The reduction in loss was mainly due to the improvement in revenue and gross profit, while being offset by the increment in relevant costs of operations, primarily resulting from the rapid growth in self-operated healthcare sales business, increase in promotional costs to publicise self-operated stores by the Group, increase in headcount of the sales and operation functions and online consultancy service staff and recruitment of more information technology engineers to expand its internet healthcare business during the year.

The adjusted net profit, as adjusted by the share-based compensation resulting from the grant of share-based awards to certain employees of the Group during the financial year, was approximately RMB8.0 million and RMB121.7 million for the years ended 31 March 2018 and 2019 respectively. The adjusted net loss for the year ended 31 March 2017 was approximately RMB98.3 million. The improvement in the adjusted net profit was mainly due to the combination of factors mentioned above.

Overall, the Group has made continuous efforts in improving its financial results over the periods of review by expanding its operations into the pharmaceutical e-commerce businesses. As a result, revenue level over the period has significantly improved. Gross profit margin, however, has decreased due to the rising amount of costs incurred in the pharmaceutical e-commerce businesses. The increased scale of operations helps the Group achieve economies of scale and benefit from cost advantages. As such, the financial performance for the years ended 31 March 2018 and 2019 has improved with reduced losses.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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*Financial position*

The following is a summary of the audited consolidated financial position of the Group as at 31 March 2017, 2018 and 2019 respectively, as extracted from the 2019 Annual Report and the 2018 Annual Report.

	<b>As at 31 March 2019 RMB'000</b>	<b>As at 31 March 2018 RMB'000</b>	<b>As at 31 March 2017 RMB'000</b>
<b>Total non-current assets</b>	2,678,491	1,094,884	868,785
<b>Total current assets</b>	<u>3,303,394</u>	<u>2,016,093</u>	<u>810,915</u>
<b>TOTAL ASSETS</b>	5,981,885	3,110,977	1,679,700
<b>Total current liabilities</b>	3,233,382	580,238	353,472
<b>Total non-current liabilities</b>	<u>11,677</u>	<u>7,682</u>	<u>206,566</u>
<b>TOTAL LIABILITIES</b>	3,245,059	587,920	560,038
<b>NET CURRENT ASSETS</b>	70,012	1,435,855	457,443
<b>NET ASSETS</b>	<b>2,736,826</b>	<b>2,523,057</b>	<b>1,119,662</b>
<b>EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS</b>	<b>2,794,519</b>	<b>2,580,248</b>	<b>1,177,836</b>
<b>Net asset value (“NAV”) per Share (RMB)</b>	<b>0.24</b>	<b>0.26</b>	<b>0.14</b>
<b>CURRENT RATIO</b>	<b>1.02</b>	<b>3.47</b>	<b>2.29</b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at 31 March 2019, total assets of the Group mainly comprised financial assets at fair value, investments in associates, inventories and trade and bills receivables. Total assets of the Group increased from approximately RMB1,679.7 million as at 31 March 2017 to approximately RMB3,111.0 million as at 31 March 2018, and further increased to approximately RMB5,981.9 million as at 31 March 2019. With the Group's expanding operations in pharmaceutical e-commerce business, it has utilised funds generated from operating activities and the proceeds from issue of new shares in 2018 to make investments in companies within the healthcare and pharmaceutical industry, leading to an increase in investments in associates. The Group's associates are mainly engaged in the healthcare sector (such as the pharmaceutical retail market, medical equipment and software development) and in the operation/construction of platforms. In addition, the Group has invested in wealth management products issued by banks in the PRC when funds and favourable investment opportunities are available. As advised by management of the Company, these wealth management products allow the Group to maintain its liquidity given their relatively short maturities, while improving the returns for the Group.

Total liabilities of the Group as at 31 March 2019 mainly comprised trade payables, other payables and accruals and interest-bearing borrowing. Total liabilities of the Group increased from approximately RMB560.0 million as at 31 March 2017 to approximately RMB587.9 million as at 31 March 2018, and further increased to approximately RMB3,245.1 million as at 31 March 2019. The significant increment in liabilities from 2018 to 2019 was mainly due to the interest-bearing borrowings from Zhejiang Tmall amounting to approximately RMB1.7 billion. With the expanding business operations of the Group as demonstrated by the revenue growth during the year ended 31 March 2019, the trade and bills payables and other payables and accruals also increased by approximately RMB0.9 billion as at 31 March 2019.

The NAV per Share as at 31 March 2019, calculated by dividing the NAV of the Group attributable to the Shareholders of approximately RMB2,794.5 million by the number of Shares in issue as at 31 March 2019, was approximately RMB0.24.

Current ratio has improved from approximately 2.29 as at 31 March 2017 to approximately 3.47 as at 31 March 2018. The improvement was mainly attributable to the significant increase in cash during the year with the proceeds from issue of new shares. The current ratio decreased to approximately 1.02 as at 31 March 2019 with the increase in trade and bills payable due to longer credit term given during the year and lower cash level with the capital injection in associates and joint ventures.

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***Cash flow***

Set out below is a summary of the cash flows of the Group for each of the three years ended 31 March 2017, 2018 and 2019 as extracted from the 2019 Annual Report and the 2018 Annual Report.

	<b>For the year ended 31 March</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows generated from/(used in) operating activities	396,370	(70,272)	(226,246)
Net cash flows used in investing activities	(2,395,711)	(1,210,814)	(158,752)
Net cash flows generated from financing activities	1,708,489	1,248,117	192,851
<b>Net decrease in cash and cash equivalents</b>	<b>(290,852)</b>	<b>(32,969)</b>	<b>(192,147)</b>
<b>Cash and cash equivalents as at end of year</b>	<b>280,371</b>	<b>508,419</b>	<b>569,860</b>

There was a net decrease in cash and cash equivalents of approximately RMB290.9 million for the year ended 31 March 2019, as compared to approximately RMB33.0 million in the previous year. It was mainly due to an increase in net cash flows used in investing activities of approximately RMB1,184.9 million with purchase of financial assets, capital injection in associates and joint ventures during the year, partially offset by the redemption on maturity of time deposits. The decrease in cash and cash equivalents was also partially offset by the increase in cash flows generated from operating activities, mainly attributable to the increase in trade payables, other payables and accruals. The Group recorded net cash flows generated from financing activities of approximately RMB1,708.5 million for the year ended 31 March 2019 as compared to approximately RMB1,248.1 million in the prior year, mainly due to the increase of borrowings from Zhejiang Tmall obtained during the current year.

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There was a net decrease in cash and cash equivalents of approximately RMB33.0 million for the year ended 31 March 2018 as compared to a decrease of approximately RMB192.1 million for the year ended 31 March 2017. It was mainly attributable to the decrease in net cash flows used in operating activities by approximately RMB156.0 million with a reduced loss before tax for the year. In addition, the Group recorded net cash flows generated from financing activities of approximately RMB1,248.1 million, primarily contributed by the proceeds from issue of new shares during the year ended 31 March 2018. The increase in the net cash flows used in the investing activities was mainly due to the increase of time deposits, which were subsequently redeemed during the year ended 31 March 2019 as mentioned above, and the increased investments in associates.

#### 4. Principal terms of the Subscription Agreements

Set out below is a summary of the principal terms of the Subscription Agreements. Further details of the Subscription Agreements are set out in the “Letter from the Board” contained in the Circular.

Date: 23 May 2019 (before trading hours)

Parties: For Ali JK Subscription Agreement  
The Company as the issuer  
Ali JK as the Subscriber

For Antfin Subscription Agreement  
The Company as the issuer  
Antfin as the Subscriber

Pursuant to the Ali JK Subscription Agreement, the Company has conditionally agreed to allot and issue, and Ali JK has conditionally agreed to subscribe for 242,400,000 Subscription Shares at the total subscription price of HK\$1,818,000,000. Pursuant to the Antfin Subscription Agreement, the Company has conditionally agreed to allot and issue, and Antfin has conditionally agreed to subscribe for 60,576,000 Subscription Shares at the total subscription price of HK\$454,320,000. The total subscription price shall be payable in cash by each of the Subscribers to the Company at Completion.

#### ***The Subscription Price***

The Subscription Price is HK\$7.50 per Subscription Share. As stated in the “Letter from the Board” contained in the Circular, the Subscription Price was arrived at after arm’s length negotiations between the Company and the Subscribers, having taken into account the share price performance of the Company in the 180 trading days up to and including the Last Trading Day.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *The size of the Subscription, ranking of the Subscription Shares and lock-up*

The Subscription Shares represent approximately: (i) 2.59% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) 2.52% of the issued share capital of the Company as enlarged by the issue of the Subscription 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 the issue of the Subscription Shares. The Subscription Shares will be allotted and issued under the Specific Mandate to be sought at the SGM.

The Subscription Shares, when allotted and issued, shall rank *pari passu* in all respects among themselves and with all the Shares in issue as at the date of allotment and issue of the Subscription Shares.

For a period of 18 months from Completion, each Subscriber has agreed that it will not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or other third party rights in respect of the Subscription Shares, except for a disposal to the Subscriber's affiliate or otherwise with the prior written consent of the Company.

### *Conditions precedent*

The Subscription is conditional upon the fulfilment of the conditions (the “**Conditions Precedent**”) as set out in the “Letter from the Board” contained in the Circular, including but not limited to:

- (a) the passing by the Independent Shareholders at a duly convened Shareholders' meeting of the Company of resolution approving the issue of the Subscription Shares pursuant to the Subscription Agreements;
- (b) in the case of the Antfin Subscription Agreement, the Ali JK Subscription Agreement having become unconditional; and
- (c) the granting of the approval of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares under each of the Ali JK Subscription Agreement and the Antfin Subscription Agreement respectively.

If any of the Conditions Precedent set out above has not been fulfilled on or before 30 September 2019 (or such other date as may be agreed between the Company and the Subscribers), the Subscription Agreements shall automatically terminate with immediate effect pursuant to their respective terms.

**5. Evaluation of the Subscription Price**

*Comparison of the Subscription Price to recent Share prices*

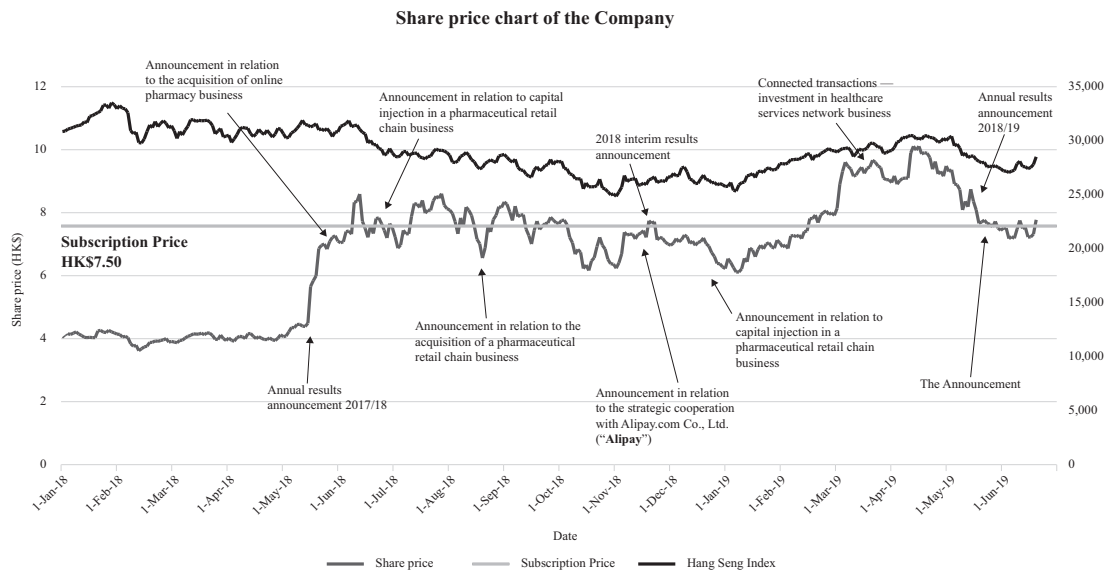
The Subscription Price of HK\$7.50 per Subscription Share represents:

- (a) a discount of approximately 2.34% to the closing price of the Shares of HK\$7.68 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 4.21% to the average of the closing prices per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$7.83 per Share;
- (c) a discount of approximately 7.19% to the average of the closing prices per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$8.08 per Share;
- (d) a discount of approximately 10.91% to the average of the closing prices per Share as quoted on the Stock Exchange for the 15 consecutive trading days up to and including the Last Trading Day of approximately HK\$8.42 per Share;
- (e) a discount of approximately 9.71% to the average of the closing prices per Share as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of approximately HK\$8.31 per Share;
- (f) a discount of approximately 2.48% to the average of the closing prices per Share as quoted on the Stock Exchange for the 180 consecutive trading days up to and including the Last Trading Day of approximately HK\$7.69 per Share;
- (g) a discount of approximately 2.47% to the closing price of the Shares of HK\$7.69 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (h) a premium of approximately 26.7 times over the NAV per Share attributable to the Shareholders as at 31 March 2019 of approximately RMB0.2386 per Share (equivalent to HK\$0.2711 based on the exchange rate of RMB1: HK\$0.88).

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Historical Share price performance*

The following chart sets out the daily closing prices of the Shares on the Stock Exchange for the period from 2 January 2018 (being the first trading day in 2018) up to and including the Latest Practicable Date (the “**Review Period**”).



As illustrated in the above, the Share price closed in a range between HK\$3.58 and HK\$10.00 during the Review Period. The Share price fluctuated between HK\$3.58 to HK\$4.44 since January 2018 up to 16 May 2018. On 16 May 2018, the Company announced its annual results for the year ended 31 March 2018 showing a reduced loss of approximately 47.7%. The Share price went up from HK\$4.44 on 16 May 2018 to HK\$5.6 on the next day. The Company made an announcement in relation to the acquisition of online pharmacy business on 29 May 2018. Subsequently, the Share price reached the highest in the first half of 2018 at HK\$8.5 on 13 June 2018.

The Company announced its investments in pharmaceutical retail chain businesses in late June and mid-August 2018 and the Share price fell to a range between HK\$6.49 and HK\$8.51 during the period from July to September 2018. On 15 November 2018, the Company announced its strategic cooperation with Alipay (a wholly-owned subsidiary of Ant Financial) in relation to the establishment and operation of a healthcare channel on Alipay’s platform. The Shares closed at HK\$7.66 on the first trading day after the announcement, representing an increase of approximately 7.3% as compared to the prior trading day. The interim results for the six months ended 30 September 2018 showing a loss for the period was released on 19 November 2018, and the Share price dropped approximately 7.5% on the next trading day. The Company announced a further investment in pharmaceutical retail chain businesses on 24 December 2018. The Share price fell to HK\$6.16 on 27 December 2018, the first trading day after the announcement, and closed at HK\$6.35 on the last trading day in 2018.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Share price demonstrated a general upward trend since the beginning of 2019. On 18 March 2019, the Company published an announcement in relation to its investment in a national healthcare services network business. The Share price increased from HK\$9.35 to HK\$9.56 on 19 March 2019. The Share price reached a high of HK\$10 on both 10 April 2019 and 12 April 2019. From mid-April 2019 onwards, closing prices of the Shares showed a general downward trend. The announcement of the annual results of the Company for the year ended 31 March 2019 was released on 16 May 2019 and the Share price decreased by approximately 3.3% to HK\$8 on the next trading day. The Share price closed at HK\$7.68 on the Last Trading Day on 22 May 2019.

In general, there was a significant increase in the Share price level after the release of the annual results for the year ended 31 March 2018. The Share price fluctuated between HK\$6.1 to HK\$8.51 from June 2018 to December 2018, the movement is generally in line with that of the Hang Seng Index. The Share price increased along with the Hang Seng Index from January 2019 to mid-April 2019. After the release of the annual results for the year ended 31 March 2019, the Share price experienced a general downward trend.

After the publication of the announcement (the “**Announcement**”) in relation to the Subscription on 23 May 2019 (before trading hours), the closing price of the Shares decreased from HK\$7.68 on the Last Trading Day to HK\$7.58 on 23 May 2019 (the first trading day after the publication of the Announcement), representing a decrease of approximately 1.3% over the closing price on the Last Trading Day. The Share price closed at HK\$7.69 on the Latest Practicable Date.

### *Comparable Issues*

We have also performed an analysis of comparable issues by searching the website of the Stock Exchange on a best effort basis for all share issues (the “**Comparable Issues**”) announced since 1 April 2019 and up to the date of the Announcement by companies listed on the Main Board of the Stock Exchange to independent third parties and/or connected persons which involve placing/subscription/issue of new shares of listed companies, without involving acquisition and/or restructuring of assets and/or business of listed companies and/or whitewash waiver applications, and excluding (i) issues which have subsequently been terminated or lapsed; and (ii) issues of which information regarding placing/subscription/issue price is not published in the announcements. We consider the Comparable Issues an exhaustive list of relevant comparable issues based on the said criteria above.

We consider that a review period from 1 April 2019 to the date of the Announcement is appropriate since the Comparable Issues are considered for the purpose of taking a general reference for recent market practice in relation to the setting of subscription price under similar market conditions. It is considered that comparable issues further back in time may not be indicative of the current market conditions. We have included comparable issues to both independent third parties and/or connected persons as such issues can illustrate the market practice under similar

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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arrangements including whether the Subscription Price is determined in a consistent way for transactions on an arm's length basis with independent third parties. It should be noted that the subject companies involved in the Comparable Issues may have different principal activities, market capitalisations, profitability or financial positions as compared to those of the Company. However, as the Comparable Issues can provide a general understanding of this type of transaction in the Hong Kong stock market under the current market environment, we consider them an appropriate basis in assessing the fairness and reasonableness of the Subscription Price.

For each of the Comparable Issues identified, we have considered the premium or discount of its issue/subscription price to (a) the closing price on the last trading day or the date of announcement; and (b) average closing price for the last five trading days as disclosed in the respective published announcements, as summarised in the following table.

<b>Date of announcement</b>	<b>Company name and stock code</b>	<b>Premium/(discount) of placing/ subscription/issue price over/(to) closing share</b>	
		<b>price as at the last trading day or date of announcement as disclosed in the announcement</b> %	<b>average closing share price for the last five trading days as disclosed in the announcement</b> %
		<i>(approximate)</i>	<i>(approximate)</i>
1 April 2019	Meilleure Health International Industry Group Limited (stock code: 2327)	(15.7)	(9.7)
3 April 2019	China Creative Global Holdings Limited (stock code: 1678)	(18.8)	(19.0)
4 April 2019	Ronshine China Holdings Limited (stock code: 3301)	(7.1)	(10.8)
10 April 2019	Guotai Junan Securities Company Limited (stock code: 2611)	(7.4)	(8.5)
10 April 2019	China Ne Higher Education Group Limited (stock code: 2001)	(9.2)	(7.7)
10 April 2019	China Dynamics (Holdings) Limited (stock code: 476)	(17.9)	(18.9)
15 April 2019	Chong Kin Group Holdings Limited (stock code: 1609)	(8.0)	(10.0)
15 April 2019	Newtree Group Holdings Limited (stock code: 1323)	(7.0)	(7.7)

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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Date of announcement	Company name and stock code	Premium/(discount) of placing/ subscription/issue price over/(to) closing share	
		price as at the last trading day or date of announcement as disclosed in the announcement %	average closing share price for the last five trading days as disclosed in the announcement %
		(approximate)	(approximate)
15 April 2019	Sanai Health Industry Group Company Limited (stock code: 1889)	(16.4)	(19.3)
17 April 2019	C&D Int'l Investment Group Limited (stock code: 1908)	(11.6)	(13.3)
17 April 2019	China Internet Investment Finance Holdings Limited (stock code: 810)	(18.4)	(18.0)
18 April 2019	Times China Holdings Limited (stock code: 1233)	(9.0)	(9.3)
6 May 2019	Lap Kei Engineering (Holdings) Limited (stock code: 1690)	(11.9)	(19.4)
8 May 2019	We Solutions Limited (stock code: 860)	5.2	12.1
8 May 2019	Da Sen Holdings Group Limited (stock code: 1580) (Note 1)	(19.2)	(19.4)
9 May 2019	China Public Procurement Limited (stock code: 1094)	(17.8)	(19.0)
	Mean (simple average)	(11.9)	(12.4)
	Median	(11.8)	(12.0)
	Minimum	(19.2)	(19.4)
	Maximum	5.2	12.1
	<b>The Subscription</b>	<b>(2.3)</b>	<b>(4.2)</b>

Source: relevant announcements published on the Stock Exchange's website

Note:

- The subscription price was subsequently revised on 23 May 2019, resulting in a discount of subscription price to the closing price on the date of announcement of approximately 17.2% and a discount over the average closing price for the last five trading days of approximately 18.8% as disclosed in the announcement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The 16 Comparable Issues set out in the table above have generally involved a placing, subscription or issue of new shares at discounts to their respective historical trading prices. As set out in the table above, the Subscription Price represents (a) a discount of approximately 2.34% to the closing price on the Last Trading Day; and (b) a discount of approximately 4.21% to the average closing price for the five trading days up to and including the Last Trading Day. These discounts are:

- (1) within the range of discounts of the Comparable Issues for the closing share price as at the last full trading day or the date of announcement as well as for the average closing share price for the five full trading days immediately prior to the announcement; and
- (2) lower than the mean and median of discounts of the Comparable Issues for the closing share price as at the last full trading day or the date of announcement as well as for the average closing share price for the five full trading days immediately prior to the announcement.

### *Conclusion*

Given that (i) the Subscription Price is substantially higher than the NAV per Share attributable to the Shareholders as at 31 March 2019; (ii) the Subscription Price was determined with reference to the Share price movement for a longer period of time; and (iii) the discounts of the Subscription Price are within the range and lower than the mean and median of discounts of the Comparable Issues, we are of the view that the pricing of the Subscription is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

### **6. Financial effects of the Subscription**

As set out in the “Letter from the Board” contained in the Circular, the gross proceeds of the Subscription are estimated to be approximately HK\$2,272.32 million.

As set out in the “Letter from the Board” contained in the Circular, the Company intends to apply the proceeds from the Subscription for repayment of loans and for investments (including previously committed investments, investment projects under review and future strategic acquisitions as and when appropriate opportunities arise). As a result of the repayment of loan, it is expected that the finance costs of the Group would decrease by approximately 60% after the Completion.

Based on the financial position of the Group set out in the 2019 Annual Report, the working capital, cash and cash equivalents and consolidated net assets of the Group amounted to approximately RMB70.0 million, RMB280.4 million and RMB2,736.8 million respectively as at 31 March 2019. Immediately upon Completion, it is expected that the working capital, cash position and net asset value of the Group will be enhanced with the amount of net proceeds of the Subscription to be received by the Company. As such, the Directors consider, and we concur that the financial position of the Group is expected to be strengthened after Completion.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**7. Effects of the Subscription on the Company’s shareholding structure**

The Subscription Shares represent approximately 2.59% of the issued share capital of the Company as at the Latest Practicable Date and approximately 2.52% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

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

	<b>As at the</b>		<b>Immediately after Completion</b>	
	<b>Latest Practicable Date</b>			
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Perfect Advance	3,103,816,661	26.50	3,103,816,661	25.83
The Subscriber — Ali JK	3,457,511,207	29.52	3,699,911,207	30.80
The Subscriber — Antfin	—	—	60,576,000	0.50
Innovare Tech Limited	1,316,811,347	11.24	1,316,811,347	10.96
Directors of the Company or its subsidiaries	10,877,769	0.09	10,877,769	0.09
Other shareholders	<u>3,823,210,480</u>	<u>32.65</u>	<u>3,823,210,480</u>	<u>31.82</u>
<b>Total</b>	<b><u>11,712,227,464</u></b>	<b><u>100.00</u></b>	<b><u>12,015,203,464</u></b>	<b><u>100.00</u></b>

As demonstrated from the table above, the shareholdings of other Shareholders will be diluted from approximately 32.65% as at the Latest Practicable Date to approximately 31.82% immediately after Completion. We do not consider this dilution material. In addition, having considered (i) the benefits to be derived by the Group from the Subscription as set out in the section headed “2. Background to and reasons for the Subscription Agreements” of this letter; (ii) that the financial position of the Group will be improved immediately upon Completion as set out in the section headed “6. Financial effects of the Subscription” of this letter; and (iii) that the Subscription Price is considered to be fair and reasonable as discussed under the section headed “5. Evaluation of the Subscription Price” of this letter, we consider such dilution to be acceptable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### OPINION AND RECOMMENDATION

Having taken into account the above principal factors, we consider that the terms of the Subscription Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Subscription, while not in the ordinary and usual course of business of the Group, is 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 favour of the relevant ordinary resolution to be proposed at the SGM.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
**Clifford Cheng**  
*Director*

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

## 1 RESPONSIBILITY STATEMENT

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

## 2 DIRECTORS' INTERESTS OR SHORT POSITIONS IN EQUITY SECURITIES

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

### Long position in Shares

Name of Director	Nature of interest	Total interest in Shares	% of the existing issued Shares
Mr. SHEN Difan	Equity derivative interest <sup>(1)</sup>	9,860,000	0.08%
Mr. WANG Qiang	Equity derivative interest <sup>(2)</sup>	5,649,000	0.05%
Mr. WU Yongming	Beneficial owner	1,262,000	0.01%
Mr. WANG Lei	Beneficial owner and equity derivative interest <sup>(3)</sup>	14,820,077	0.13%

#### Notes:

- Subject to vesting, Mr. SHEN Difan is interested in 9,860,000 shares underlying the 8,190,000 options and 1,670,000 restricted share units granted to him in accordance with the share award scheme adopted by the Company at the special general meeting held on November 24, 2014.
- Subject to vesting, Mr. WANG Qiang is interested in 5,649,000 shares underlying the 4,000,000 options and 1,649,000 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.
- Mr. WANG Lei beneficially held 2,769,327 ordinary shares and subject to vesting, he is interested in 12,050,750 shares underlying the 8,632,000 options and 3,418,750 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**

Long positions in shares and underlying shares of Alibaba Group Holding Limited (“**Alibaba Holding**”, together with its subsidiaries, “**Alibaba Group**”), an associated corporation of the Company within the meaning of Part XV of the SFO.

Name of Director	Number of associated corporation	Nature of interest	Number of shares/underlying shares held	% of issued shares of associated corporation
Mr. SHEN Difan	Alibaba Holding	Beneficial owner, equity derivative interests and interests of spouse <sup>(1)</sup>	37,199	0.00%
Mr. WANG Qiang	Alibaba Holding	Equity derivative interests <sup>(2)</sup>	3,000	0.00%
Mr. WANG Lei	Alibaba Holding	Beneficial owner, equity derivative interests and interests of spouse <sup>(3)</sup>	201,767	0.01%
Mr. WU Yongming	Alibaba Holding	Beneficiary of a trust <sup>(4)</sup>	78,667	0.00%
		Beneficial owner and interests of spouse <sup>(5)</sup>	203,217	0.01%
Mr. XU Hong	Alibaba Holding	Founder of a discretionary trust <sup>(6)</sup>	6,513,690	0.25%
		Equity derivative interests <sup>(7)</sup>	66,500	0.00%

*Notes:*

1. It represents 17,195 ordinary shares or underlying ordinary shares and 9,125 restricted share units beneficially held by Mr. SHEN Difan and 10,879 ordinary shares or underlying shares and restricted share units held by his spouse.
2. It represents 3,000 restricted share units beneficially held by Mr. WANG Qiang.
3. It represents 201,767 ordinary shares or underlying ordinary shares and 10,000 restricted share units and 180,000 investment units beneficially held by Mr. WANG Lei and 7,250 ordinary shares or underlying shares and restricted share units held by his spouse.
4. It represents 78,667 ordinary shares or underlying ordinary shares held by a private trust whereby Mr. WANG Lei and his family are beneficiaries.
5. It represents 3,217 ordinary shares held by Mr. WU Yongming, and 200,000 ordinary shares held by his spouse.
6. It represents 6,513,690 ordinary shares or underlying ordinary shares held by Mr. WU Yongming through two private trusts whereby he is the founder of the discretionary trusts.
7. It represents 66,500 restricted share units beneficially held by Mr. XU Hong.



Long positions in shares and underlying shares of Intime Retail (Group) Company (“**Intime Retail**”, together with its subsidiaries, “**Intime Retail Group**”), an associated corporation of the Company within the meaning of Part XV of the SFO.

Name of Director	Number of associated corporation	Nature of interest	Number of shares/underlying shares held	% of issued shares of associated corporation
Mr. WANG Qiang	Intime Retail	Equity derivative interests and interests of spouse <sup>(1)</sup>	300,000	0.01%

*Notes:*

- (1) It represents 300,000 ordinary shares or underlying shares beneficially held by Mr. WANG Qiang.

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

**Interests of Directors as director or employee of a substantial shareholder or any subsidiaries of a substantial shareholder**

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

- Mr. SHEN Difan was a consultant to Alibaba Group;
- Mr. WU Yongming was a president of Alibaba Group and a special assistant to the chairman of the board of directors of Alibaba Holding;
- Mr. WANG Lei was a vice president of Alibaba Group and the chief executive officer of Ele.me, a Subsidiary of Alibaba Holding; and
- Mr. XU Hong was the vice president of finance and a special assistant to the chief executive officer of Alibaba Holding,

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

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

As at the Latest Practicable Date, none of the Directors has, or has had, any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since March 31, 2019, the date to which the latest published audited financial statements of the Group were made up; and, except for any perceived material interest in transactions between members of Alibaba Group and the Company due to their role as employees of Alibaba Holding or its subsidiaries, none of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

### 4 SERVICE CONTRACTS

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

### 5 COMPETING INTERESTS

As at the Latest Practicable Date, Mr. Wu Yongming, a non-executive Director, was the controlling shareholder of Hangzhou Vision Plus Capital Management Company Limited\* (杭州圓環投資管理有限公司), and Hangzhou Vision Plus Capital Management Company Limited\* (杭州圓環投資管理有限公司) and its associates were one of the substantial shareholders of Choice Technology Inc., a company which operates a medical healthcare systems and data services platform, Beijing Huifukang Information Consultancy Co., Ltd\* (北京惠福康信息諮詢有限公司), a company which operates an online doctor referral platform, Shanghai Mudi Biological Technology Co., Ltd.\* (上海妙一生物科技有限公司), a company which operates online clinical research platform, Yawlih Technology (Beijing) Co., Ltd.\* (曜立科技(北京)有限公司), a company which provides hospital and other medical data cleansing technology solution, Lingyi Information Technology (Shanghai) Co., Ltd.\* (翎醫信息科技(上海)有限公司), a company which provides maternity and infant-related patient management tools and marketing platform services, Shanghai Yiyong Health Information Consulting Co., Ltd.\* (上海易雍健康信息諮詢有限公司), a company engaged in third-party health insurance services and Hangzhou Yunhu Network Technology Co., Ltd.\* (杭州雲呼網絡科技有限公司), a company engaged in the operation of medical examination resources Internet platform. These companies, directly or through their subsidiaries or associates or by way of other forms of investments, carry out businesses which are considered to compete or likely to compete with the businesses of the Group.

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.

\* For identification purpose only

## 6 CONSENT OF EXPERT

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

<b>Name</b>	<b>Qualification</b>
Somerley Capital Limited	A corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities

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

As at the Latest Practicable Date, Somerley did not have: (a) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (b) any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since March 31, 2019, the date to which the latest published audited financial statements of the Group were made up.

## 7 MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since March 31, 2019, the date to which the latest published audited consolidated financial statements of the Group were made up.

## 8 DOCUMENTS AVAILABLE FOR INSPECTION

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

- (i) the Subscription Agreements;
- (ii) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 14 to 15 of this circular;
- (iii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 16 to 36 of this circular;
- (iv) the written consent referred to in the section headed “Consent of Expert” of this Appendix; and
- (v) this circular.

**9 LANGUAGE**

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

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## NOTICE OF SPECIAL GENERAL MEETING

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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)**

### NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of Alibaba Health Information Technology Limited (the “Company”) will be held at Units 2302–2305, 23/F, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong immediately after the conclusion of the annual general meeting of the Company to be held at the same location on Wednesday, July 10, 2019 at 10:00 a.m. (or any adjournment thereof) for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

#### ORDINARY RESOLUTION

1. “THAT

- (a) the subscription agreement dated May 23, 2019 entered into between the Company and Ali JK Nutritional Products Holding Limited (“Ali JK”) (the “Ali JK Subscription Agreement”) (copies of which have been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the subscription agreement dated May 23, 2019 entered into between the Company and Antfin (Hong Kong) Holding Limited (“Antfin”) (the “Antfin Subscription Agreement”) (copies of which have been produced to the meeting marked “B” and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (c) the board of directors of the Company (the “Directors”) be and is hereby authorized and granted a specific mandate (the “Specific Mandate”) to allot and issue to Ali JK 242,400,000 new shares of the Company, and to allot and issue to Antfin 60,576,000 new shares of the Company, in each case at the subscription price of HK\$7.50 each in the share capital of the Company in accordance with the terms and conditions of the Ali JK Subscription Agreement and the Antfin Subscription Agreement; and

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## NOTICE OF SPECIAL GENERAL MEETING

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- (d) any one or more of the Directors 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 Ali JK Subscription Agreement, the Antfin Subscription Agreement, the Specific Mandate and the transactions contemplated thereunder.”

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

Hong Kong, June 24, 2019

*Notes:*

1. All resolutions at the SGM will be taken by poll pursuant to the bye-laws of the Company 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) two are executive Directors, namely Mr. SHEN Difan and Mr. WANG Qiang; (ii) three are non-executive Directors, namely Mr. WU Yongming, Mr. WANG Lei and Mr. XU Hong; and (iii) three are independent non-executive Directors, namely Mr. LUO Tong, Mr. WONG King On, Samuel and Ms. HUANG Yi Fei, (Vanessa).