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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.

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

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ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED
阿里健康信息技术有限公司

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

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

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



A letter from the Independent Board Committee to the Independent Shareholders is set out on page 11 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 12 to 20 of this circular.

A notice convening the SGM to be held at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong on Friday, March 10, 2017 at 10:00 a.m. is set out on pages 25 to 26 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.

February 22, 2017

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DEFINITIONS

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

“AGH Contracting Parties”	Alibaba.com China and Taobao China
“AGH Relevant Entities”	Alibaba Technology, Hangzhou Alibaba Advertising, Taobao China, the Tmall Entities and their respective affiliates, collectively
“Alibaba Group”	a group of companies comprising Alibaba Holding and its Subsidiaries, but, for the purpose of this circular, excluding the Group
“Alibaba Holding”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands, the ultimate controlling shareholder of the Company, and the American depository shares of which are listed on the New York Stock Exchange
“Alibaba Technology”	Alibaba (China) Technology Co., Ltd.* (阿里巴巴(中國)網絡技術有限公司), a company incorporated in the PRC with limited liability and an indirect wholly owned subsidiary of Alibaba Holding
“Alibaba.com China”	Alibaba.com China Limited (阿里巴巴網絡中國有限公司), a limited liability company incorporated in Hong Kong and an indirect wholly owned subsidiary of Alibaba Holding
“Board”	the board of the Directors
“Company”	Alibaba Health Information Technology Limited (阿里健康信息技術有限公司), an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00241)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Control”	the power or authority, whether exercised or not, to direct the business, management and policies of a person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, which power or authority shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of more than fifty per cent (50%) of the votes entitled to be cast at a meeting of the members or shareholders of such person or power to control the composition of a majority of the board of directors (or similar governing body) of such person and the term “Controlled” shall be construed accordingly
“Director(s)”	director(s) of the Company
“Effective Date”	the effective date of the Services Framework Agreement, being the day following the date of the approval of the Services Framework Agreement and continuing connected transactions contemplated thereunder by the Independent Shareholders at the SGM (whichever is the later)
“Group”	the Company and its Subsidiaries
“GWQNP”	Guangzhou Wu Qian Nian Pharmaceutical Chain Co., Ltd.* (廣州五千年醫藥連鎖有限公司), a company incorporated in the PRC with limited liability and an indirect wholly owned Subsidiary of the Company

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“Hangzhou Alibaba Advertising”	Hangzhou Alibaba Advertising Co., Ltd.* (杭州阿里巴巴廣告有限公司), a company incorporated in the PRC with limited liability and ultimately Controlled by Alibaba Holding
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising Mr. YAN Xuan, Mr. LUO Tong and Mr. WONG King On, Samuel, being the independent non-executive Directors, established to advise the Independent Shareholders on the Services Framework Agreement and the continuing connected transactions contemplated thereunder
“Independent Financial Adviser” or “Somerley Capital”	Somerley Capital Limited, a corporation licensed under the Securities and Futures Ordinance to provide Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Services Framework Agreement and the continuing connected transactions contemplated thereunder
“Independent Shareholders”	the Shareholders of the Company, other than (i) Alibaba Holding and its associates, including Perfect Advance; and (ii) those who are required to abstain from voting at the SGM to be convened to approve the Services Framework Agreement, the continuing connected transactions contemplated thereunder and the proposed annual caps
“Latest Practicable Date”	February 17, 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Perfect Advance”	Perfect Advance Holding Limited, a company incorporated in the BVI and an indirect non-wholly owned Subsidiary of Alibaba Holding
“PRC” or “China”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Service Fees”	the service fees to be paid by the Group to the AGH Relevant Entities under the Services Framework Agreement as set out under “2.1 Principal terms of the Services Framework Agreement — (e) Service Fees and payment terms” in this circular
“Services”	the services to be provided by the AGH Relevant Entities to the Group under the Services Framework Agreement as set out under “2.1 Principal terms of the Services Framework Agreement — (d) Services to be provided” in this circular
“Services Framework Agreement”	the services framework agreement entered into on December 31, 2016 between the Company and the AGH Contracting Parties

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“SGM”	the special general meeting of the Company to be convened for the Independent Shareholders to consider, and vote on the Services Framework Agreement, the continuing connected transactions contemplated thereunder and the proposed annual caps
“Shareholder(s)”	holder(s) of the Share(s)
“Shares”	ordinary shares in the issued capital of the Company with a nominal value of HK\$0.01
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiaries”	entities which are Controlled
“Taobao China”	Taobao China Holding Limited (淘寶中國控股有限公司), a limited liability company incorporated in Hong Kong and an indirect wholly owned Subsidiary of Alibaba Holding
“Tmall”	a third party online platform for brands and retailers operated by Alibaba Group under the domain name including Tmall.com (or such other URLs as may be used by Tmall, including but not limited to URLs used for internet on personal computers or mobile devices, as amended from time to time based on the business needs of Tmall)
“Tmall Entities”	Tmall Technology and Tmall Network, collectively
“Tmall Global”	the third party online transaction platform for brands and retailers operated by Alibaba Group under the domain name tmall.hk (or such other URLs as may be used by Tmall Global, including but not limited to URLs used for internet on personal computers or mobile devices, as amended from time to time based on the business needs of Tmall Global)
“Tmall Network”	Zhejiang Tmall Network Co., Ltd.* (浙江天貓網絡有限公司), a company incorporated under the laws of the PRC with limited liability and ultimately Controlled by Alibaba Holding
“Tmall Technology”	Zhejiang Tmall Technology Co., Ltd.* (浙江天貓技術有限公司), a company incorporated under the laws of the PRC and an indirect wholly owned Subsidiary of Alibaba Holding
“%”	per cent

* English name for identification purpose only.

LETTER FROM THE BOARD



ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED

阿里健康信息技術有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00241)

Executive Director:

Mr. WANG Lei (*Chief Executive Officer*)

Non-executive Directors:

Mr. WU Yongming (*Chairman*)

Mr. TSAI Chung, Joseph

Ms. HUANG Aizhu

Mr. KANG Kai

Independent Non-executive Directors:

Mr. YAN Xuan

Mr. LUO Tong

Mr. WONG King On, Samuel

Registered Office:

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

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

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

February 22, 2017

To the Shareholders

Dear Sir/Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS — SERVICES FRAMEWORK AGREEMENT

1. INTRODUCTION

We refer to the announcement of the Company dated January 3, 2017, in which the Company announced that on December 31, 2016, the Company (for itself and on behalf of its Subsidiaries) entered into the Services Framework Agreement with the AGH Contracting Parties (for themselves and on behalf of their Subsidiaries), pursuant to which the AGH Relevant Entities will provide the Services and the Group will pay the Service Fees. The Services Framework Agreement commences from the Effective Date until March 31, 2018. Further details of the Services Framework Agreement are set out below.

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

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2. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS — SERVICES FRAMEWORK AGREEMENT

2.1 Principal terms of the Services Framework Agreement

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

(a) *Date*

December 31, 2016

(b) *Parties*

- (1) The Company (for itself and on behalf of its Subsidiaries)
- (2) The AGH Contracting Parties (for themselves and on behalf of their Subsidiaries)

(c) *Duration*

Subject to approval by the Independent Shareholders at the SGM, the Services Framework Agreement shall commence from the Effective Date and end on March 31, 2018, unless otherwise terminated in accordance with the terms thereunder.

(d) *Services to be provided*

Pursuant to the Services Framework Agreement, the AGH Contracting Parties have agreed that the AGH Relevant Entities will provide to the Group the Services including but not limited to the internet information related software technical services, bonus points system related software technical services, internet information services, secondary domain name services, other related platform services, and other similar or related services. These services relate to the Group's use of various online platforms operated by Alibaba Group, including but not limited to Tmall and Tmall Global, to sell healthcare-related products and services to consumers and businesses.

The AGH Relevant Entities shall provide the Services to the Group in accordance with the standard terms and conditions as amended and published on the respective online platforms operated by the AGH Relevant Entities from time to time.

(e) *Service Fees and payment terms*

The Service Fees shall be calculated in accordance with the standard terms and conditions as amended and published on the respective online sales platforms operated by the respective entities from time to time. As at the Latest Practicable Date, the Service Fees comprise the following two components:

- (i) a standard rebatable annual fee designated by the relevant entity of the AGH Relevant Entities (different annual fees are applicable to different categories of products/services) (if applicable), currently being RMB30,000 per Tmall storefront (of which the Group currently has two) and RMB60,000 per Tmall Global storefront (of which the Group currently has one) for the year ending December 31, 2017; and
- (ii) technical service fees calculated as a percentage of the value of sales of products or services sold by the Group on the online sales platforms operated by the AGH Relevant Entities. Currently, the products and services sold by the Group at the Tmall and Tmall Global storefronts are subject to a fee rate ranging from 2.5% to 4%.

The technical service fees are determined by fee rate applicable to the categories of the products or services sold by the Group, with reference to the fee tables published on the respective online sale platforms from time to time. Currently, the products mainly sold by the Group are categorised into the personal care products over-the-counter drugs and cosmetics products; which are subject to the fee rate of 2.5%, 3% and 4%, respectively, under the current fee tables. The fee tables published on

LETTER FROM THE BOARD

the respective online sale platforms are subject to adjustment and will usually be revised annually by the AGH Relevant Entities.

The AGH Relevant Entities will ensure that the terms under which the Services are provided to the Group are no less favorable than the general terms available to other independent third parties. As the standard terms and conditions are amended and published on the respective online sales platforms operated by the AGH Relevant Entities, the Company will regularly check that the rates that it is charged is consistent with such published rates.

As the fee rate of the technical service fee under the fee table to be charged for the sale of products and services is subject to change by the AGH Relevant Entities and is beyond the Group's control, the Company will seek Independent Shareholders' approval in the event that there is material change to the terms of the Service Fees including a material increase of the fee rate applicable to the products and services sold by the Group, as amended from time to time.

The designated annual fees will be settled at the beginning of each calendar year and the technical service fees will be settled immediately after the sale.

(f) Historical Transaction Amounts

Prior to the Services Framework Agreement, members of the Group have entered into service agreements with the AGH Relevant Entities for the provision of the Services which expired on December 31, 2016. The aggregate amount of Service Fees paid by the Group for the Services under the service agreements for its various storefronts operating on the online sales platforms of Alibaba Group is summarized below:

	For the year ended March 31, 2016	For the six months ended September 30, 2016
	Historical Transaction Amounts (RMB) (Note)	
Services	Nil	72,275

Note: The Group completed the acquisition of GWQNP on August 16, 2016, following which the provision of Services by the Tmall Entities to GWQNP became continuing connected transactions. Accordingly, the historical transaction amount set out above excludes the transaction amounts incurred by GWQNP prior to such date. For details relating to the acquisition of GWQNP and the continuing connected transactions between GWQNP and the Tmall Entities, please refer to the announcement of the Company dated August 16, 2016.

(g) Annual Cap Amount and Basis for Determining the Annual Cap Amount

The annual caps for the Service Fees payable under the Services Framework Agreement for the two years ending March 31, 2017 and 2018 are set out below:

	For the year ending March 31, 2017	For the year ending March 31, 2018
	Annual Cap (RMB) (Note)	
Services	15,000,000	60,000,000

Note: The annual cap for the year ending March 31, 2017 has taken into account the amount of Service Fees incurred by the Group for the period up to December 31, 2016 (which amounted to approximately RMB3,000,000) under the previous service agreements which expired on December 31, 2016.

LETTER FROM THE BOARD

Such annual caps have been estimated primarily based on (i) historical transaction amounts as hereinabove mentioned; (ii) the products and services that the Group intends to feature on Alibaba Group's platforms in future; including through its B2C online pharmacy storefront, its B2C medical services storefront on Tmall and its B2C healthcare products storefront on Tmall Global; and (iii) the potential of the future development of online healthcare products and services business in China.

The projected value of sales of products is calculated mainly based on transaction data, including (i) item page views per unique visitor ("*IPVUV*") number; (ii) conversion rate, representing the ratio of paying customers to IPVUV; and (iii) order amount per customer. The Company expects that the IPVUV and the conversion rates will increase as the Group gradually establishes its branding and grows customer base on the platforms. In particular, the IPVUV and the conversion rate also typically increases in certain months when promotional events are held. Based on the Company's business plan, the Company expects the number of types of healthcare products and medical services to be offered on Alibaba Group's platforms to increase from approximately 3,000 at present to approximately 12,000 by the end of March 2018. The Company believes that its sales on Alibaba Group's online sales platforms will increase as the Group introduces a wider range of products and services, enhances its branding and grows its customer base on the platforms. The Company also expects that consumers will become more accustomed to purchasing healthcare products and services through B2C online platforms and that there will be an increase in online traffic through Alibaba Group's online sales platforms and as a result of the Company's own marketing efforts on those platforms. As such, the Group's gross merchandise volume of such products and services on the online platforms is expected to increase significantly by over 250% from the year ending March 31, 2017 to the year ending March 31, 2018. In addition, given that the Company only commenced sale of healthcare products and services through B2C online platforms in 2016, the Company considers it reasonable to allow sufficient buffer in the annual cap taking into account the potential growth of business to avoid holding back further transactions on the platforms operated by the AGH Relevant Entities when the relevant annual caps are about to be reached. The Company has therefore proposed for the annual cap to increase significantly from RMB15,000,000 for year ending March 31, 2017 to RMB60,000,000 for year ending March 31, 2018.

The Directors, including the independent non-executive Directors, consider that the annual caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

(h) Internal controls relating to the implementation of the Services Framework Agreement

The Services Framework Agreement includes a customary provision pursuant to which the AGH Relevant Entities agrees to allow the Company and its auditors to access information necessary to report on the non-exempt continuing connected transactions contemplated thereunder.

The Company has adopted adequate internal control measures to comply with the Listing Rules requirements with respect to the supervision and monitoring of the proposed annual cap of the transactions contemplated under the Services Framework Agreement. The finance department of the Company has been collecting information on the actual transactions conducted with the AGH Relevant Entities, and the corresponding Services Fees incurred on a bi-weekly basis, and has been updating such information to the legal department and the chief financial officer of the Company, to monitor such transaction amounts.

During the period from the date of the Services Framework Agreement up to the date of approval of the Services Framework Agreement by the Independent Shareholders at the SGM, the Company will continue to implement strict procedures that to ensure that the transaction amounts for the year ending March 31, 2017 would not in aggregate exceed the non-exempt continuing connected transaction threshold of HK\$10,000,000 under Rule 14A.76(2) of the Listing Rules. In particular, the finance department of the Company will collect information on the actual transactions conducted with the AGH Relevant Entities, and the corresponding Services Fees incurred on a weekly basis and report to the executive management of the Company, comprising the chief executive officer, the chief financial officer and the general

LETTER FROM THE BOARD

counsel of the Company, on a weekly basis. If the actual amount of the Service Fees incurred will be close to HK\$8,000,000, the finance department will immediately alert the executive management of the Company. The executive management of the Company will then notify each relevant group company to put on hold any further transactions under the Services Framework Agreement until the Services Framework Agreement has been approved by the Independent Shareholders (if any) at the SGM in accordance with the Listing Rules. Going forward, the finance department of the Company will continue to monitor the utilization of the proposed annual cap on a regular basis as above.

2.2 Information about the Company

The Company was incorporated in Bermuda and the Shares are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and the Group is a pharmaceutical e-commerce business operator and healthcare network service provider which seeks to utilize the most advanced information technology to offer internet solutions for the healthcare industry. The principal activities of the Group comprise the operation of product tracking platforms in the PRC, pharmaceutical e-commerce and medical services network business.

2.3 Information about the AGH Contracting Parties

Alibaba Holding is a company incorporated in the Cayman Islands and its American depositary shares are listed on the New York Stock Exchange. Alibaba Holding is the largest retail commerce company in the world in terms of GMV in the twelve months ended March 31, 2016, compared with others on the basis of publicly available comparable transaction value data for the most recent fiscal year.

Alibaba Holding operates Tmall, China's largest third-party platform for brands and retailers, in each case by monthly active users in 2016, and Tmall Global, which is an extension of Tmall enabling overseas brands and retailers to reach Chinese consumers without the need for physical operations in China. Alibaba Holding also operates a China wholesale marketplace, 1688.com, which matches wholesale buyers and sellers in categories such as general merchandise, apparels, electronics, raw materials, industrial components and agricultural and chemical products.

Alibaba Holding operates these platform through its Subsidiaries, which includes Taobao China and Alibaba.com China and their respective Subsidiaries.

2.4 Reasons for and benefits of entering into the transactions under the Services Framework Agreement

As previously disclosed by the Company, the Company's mission is to build an online community where it will connect participants in China's healthcare market. The Company believes that by marketing and selling products or services on online sales platforms operated by the AGH Relevant Entities, it will be able to reach out to more customers and improve its understanding of their needs.

The Directors, including the independent non-executive Directors, consider that the transactions under the Services Framework Agreement will be conducted in the ordinary and usual course of business of the Group, and that the terms of the Services Framework Agreement have been negotiated on an arm's length basis and on normal commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2.5 Listing Rules implications

As Alibaba Holding is the ultimate majority shareholder of the Company, and Controls the AGH Relevant Entities, each of the AGH Relevant Entities is a connected person of the Company. The transactions contemplated under the Services Framework Agreement between the Group and the AGH Relevant Entities thus constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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Since one or more of the applicable percentage ratios in respect of the annual cap is higher than 5%, the transactions contemplated under the Services Framework Agreement are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has established an Independent Board Committee comprising all the independent non-executive Directors to advise the Independent Shareholders in connection with the entering into of the Services Framework Agreement. The Company has also appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on this matter.

As Mr. WU Yongming, Mr. TSAI Chung, Joseph, Ms. HUANG Aizhu and Mr. KANG Kai are employees of Alibaba Holding or its Subsidiaries, each of these Directors is deemed or may be perceived to have a material interest in the transactions contemplated under the Services Framework Agreement. Accordingly, they abstained from voting on the resolutions in connection with the continuing connected transactions under the Services Framework Agreement.

2.6 Independent Board Committee and Independent Financial Adviser

The Company has established an Independent Board Committee comprising all the independent non-executive Directors to advise the Independent Shareholders in connection with the approval for the Services Framework Agreement and the continuing connected transactions contemplated thereunder. Somerley Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

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

The letter from the Independent Board Committee to the Independent Shareholders is set out on page 11 of this circular. The letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 12 to 20 of this circular.

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 is 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

To comply with Rule 14A.36 of the Listing Rules, the Company will convene the SGM to seek Independent Shareholders' approval for the Services Framework Agreement, the transactions contemplated thereunder and the annual caps. Any Shareholder with a material interest in the Services Framework Agreement and the transactions contemplated thereunder and his/her/its associates shall abstain from voting on the resolutions approving the same. To the best knowledge, belief and information of the Directors, having made all reasonable enquiries, Perfect Advance, which holds a total of 4,420,628,008 Shares, representing approximately 54.03% of the issued share capital of the Company, and its associates, shall abstain from voting in relation to the ordinary resolutions to be put forward at the SGM for the purpose of approving the Services Framework Agreement and the transactions contemplated thereunder.

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

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

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

A form of proxy for use at the SGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.irasia.com/listco/hk/alihealth>). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited at the Company's 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 holding the SGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the SGM if you so wish.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED 阿里健康信息技术有限公司

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

February 22, 2017

To the Independent Shareholders

Dear Sir or Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTION — SERVICES FRAMEWORK AGREEMENT

We refer to the circular of the Company dated February 22, 2017 (the *Circular*) to its Shareholders of which this letter forms part. Terms defined in the circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise you in relation to the Services Framework Agreement and the continuing connected transactions contemplated thereunder; whether the terms of the Services Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and how to vote on the resolution regarding the Services Framework Agreement and the continuing connected transactions contemplated thereunder, taking into account the recommendations from the Independent Financial Adviser.

Somerley Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Services Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote on the relevant resolution.

Your attention is drawn to:

- (a) the letter from the Board set out on pages 4 to 10 of this circular which contains its recommendation to the Independent Shareholders and the additional information set out in the Appendix to this circular; and
- (b) the letter from the Independent Financial Adviser set out on pages 12 to 20 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders, together with the principal factors and reasons taken into consideration in arriving at such advice.

Having considered the advice from Somerley Capital, we are of the view that the terms of the Services Framework Agreement are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolution 1 in relation to the Services Framework Agreement and the continuing connected transactions to be presented at the SGM.

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

LETTER FROM INDEPENDENT FINANCIAL ADVISER

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



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

22 February 2017

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

Dear Sirs,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS – SERVICES FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the Services Framework Agreement and the transactions contemplated thereunder (the “**Continuing Connected Transactions**”) together with the proposed caps. Details of the Services Framework Agreement and the Continuing Connected Transactions are set out in the circular of the Company dated 22 February 2017 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meaning as those defined in the Circular.

On 31 December 2016, the Company (for itself and on behalf of its Subsidiaries) entered into the Services Framework Agreement with the AGH Contracting Parties (for themselves and on behalf of their Subsidiaries), pursuant to which the AGH Relevant Entities will provide the Services and the Group will pay the Service Fees. Alibaba Holding is the ultimate majority shareholder of the Company, and Controls the AGH Relevant Entities. Accordingly, each of the AGH Relevant Entities is a connected person of the Group. As a result, the transactions contemplated under the Services Framework Agreement between the Group and the AGH Relevant Entities constitute continuing connected transactions of the Company.

Since one or more of the applicable percentage ratios in respect of the annual cap is higher than 5%, the transactions contemplated under the Services Framework Agreement are subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Perfect Advance, an indirect non-wholly owned subsidiary of Alibaba Holding, is considered to have a material interest in the Services Framework Agreement and the transactions contemplated thereunder. As such, Perfect Advance and its associates shall abstain from voting in relation to the ordinary resolution to be put forward at the SGM for the purpose of approving the Services Framework Agreement and the transactions contemplated thereunder.

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

In formulating our advice, we have reviewed, among other things, the Services Framework Agreement, the annual reports of the Company for the financial years ended 31 March 2015 (the “**2015 Annual Report**”) and 31 March 2016 (the “**2016 Annual Report**”), the interim report of the Company for the six months ended 30 September 2016 (the “**Interim Report**”), and the information contained in the Circular. We have relied on the information and facts supplied, and the opinions expressed, by the Directors and the management of the Group, and have assumed that they are true,

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accurate and complete in all material aspects at the time they were made and will remain so up to the time of the SGM. We have also sought and received confirmation from the Directors, that all material relevant information has been supplied to us and that no material facts have been omitted or withheld from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our opinion and recommendation as set out in this letter. However, we have not conducted any independent investigation into the business and affairs of the Group, the AGH Contracting Parties and the AGH Relevant Entities.

As at the Latest Practicable Date, Somerley Capital Limited does not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Somerley Capital Limited. In the last two years, except for independent financial adviser engagements (in relation to (i) the proposed grant of restricted share units to a director of a subsidiary of the Company, details of which were set out in the circular of the Company dated 22 May 2015; (ii) the very substantial acquisition, connected transaction and reverse takeover for the Company, details of which were set out in the announcement of the Company dated 15 April 2015; (iii) the conditional grant of restricted share units to connected persons of the Company, details of which were set out in the circular of the Company dated 20 October 2015; (iv) the connected transaction relating to the formation of a joint venture, details of which were set out in the announcement of the Company dated 21 April 2016; and (v) the continuing connected transaction regarding the provision of certain outsourced and value-added services, details of which were set out in the circular of the Company dated 26 August 2016), there has been no other engagement between the Group and Somerley Capital Limited. We do not consider that the past and existing engagements as independent financial adviser give rise to any conflict for Somerley Capital Limited acting as the independent financial adviser in respect of the Continuing Connected Transactions. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangement exists whereby we will receive any fees or benefits from the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of the Group and the AGH Contracting Parties

The Group is a pharmaceutical e-commerce business operator and healthcare network service provider which seeks to utilise the most advanced information technology to offer internet solutions for the healthcare industry. Its principal activities comprise the operation of product tracking platforms in the PRC, pharmaceutical e-commerce and medical services network business.

Alibaba Holding operates Tmall, China's largest third-party platform for brands and retailers, in each case by monthly active users in 2016. Alibaba Holding also operates Tmall Global, which is an extension of Tmall enabling overseas brands and retailers to reach Chinese consumers without the need for physical operations in China. Alibaba Holding also operates a China wholesale marketplace, 1688.com, which matches wholesale buyers and sellers in categories such as general merchandise, apparels, electronics, raw materials, industrial components and agricultural and chemical products. Alibaba Holding operates these platforms through its Subsidiaries, which includes Taobao China and Alibaba.com China and their respective Subsidiaries.

2. Reasons for and benefits of the Services Framework Agreement

As set out in the "Letter from the Board" contained in the Circular, the Directors are of the view that by marketing and selling products or services on online sales platforms operated by the AGH Relevant Entities, the Group will be able to reach out to more customers and improve its understanding of their needs.

As disclosed in the 2016 Annual Report, the pharmaceutical e-commerce business has been one of the major business focuses of the Group. As disclosed in the Interim Report, on 16 August 2016, the Group completed the acquisition of GWQNP, thereby obtaining an Internet

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Drug Transaction Service Qualification Certificate, allowing it to sell pharmaceutical products on the internet to individual consumers. Furthermore, on 13 September 2016, the services agreement entered into by the Group and the Tmall Entities became effective. The Group started to provide outsourced and value-added services, such as merchants' business development, merchant customer services and technical support, for certain pharmaceutical-related categories on the Tmall platform. As disclosed in the Interim Report, the Group will actively explore synergies among its online pharmacy, existing online merchants and the online-to-offline ("O2O") alliance merchants to provide more products and services to end-consumers.

Tmall, one of the online sales platforms operated by the AGH Relevant Entities, is China's largest third-party platform for brands and retailers, by monthly active users in 2016. With reference to statistics released by iResearch, Tmall also had the largest market share in terms of gross merchandise volume among the business-to-consumer online shopping websites in China in the first three quarters of 2016. Taking into consideration the large market share of online sales platforms operated by the AGH Relevant Entities, the Group is likely to benefit from the large customer base of such platforms to generate additional revenue and provide more comprehensive healthcare solutions and integrated services to consumers/users. In addition, the Services Framework Agreement provides an opportunity for the Group to further develop its pharmaceutical e-commerce experience by reaching more end consumers and further promote the Group's pharmaceutical e-commerce business.

Having considered the above, in particular, (i) the Group's business focus on the development of its pharmaceutical e-commerce business; and (ii) the market-leading position of online sales platforms operated by the AGH Relevant Entities, we concur with the Directors' view that the entering into of the Services Framework Agreement is in the interests of the Company and its shareholders as a whole.

3. Principal terms of the Services Framework Agreement

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

Date:	31 December 2016
Parties:	The Company (for itself and on behalf of its Subsidiaries) The AGH Contracting Parties (for themselves and on behalf of their Subsidiaries)
Term:	Subject to approval by the Independent Shareholders at the SGM, the Services Framework Agreement shall commence from the Effective Date and end on 31 March 2018, unless otherwise terminated in accordance with the terms thereunder

– *Services to be provided*

Pursuant to the Services Framework Agreement, the AGH Contracting Parties have agreed that the AGH Relevant Entities will provide to the Group the Services including but not limited to the internet information related software technical services, bonus points system related software technical services, internet information services, secondary domain name services, other related platform services, and other similar or related services. These services relate to the Group's use of various online platforms operated by Alibaba Group, including but not limited to Tmall and Tmall Global, to sell healthcare-related products and services to consumers and businesses. The AGH Relevant Entities shall provide the Services to the Group in accordance with the standard terms and conditions as amended and published on the respective online platforms operated by the AGH Relevant Entities from time to time.

– *Service fees and payment terms*

The Service Fees shall be calculated in accordance with the standard terms and conditions as amended and published on the respective online sales platforms

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operated by the respective entities from time to time. As at the Latest Practicable Date, the Service Fees comprise the following two components:

- (i) a standard rebatable annual fee designated by the relevant entity of the AGH Relevant Entities (different annual fees are applicable to different categories of products/services) (if applicable), currently being RMB30,000 per Tmall storefront (of which the Group currently has two) and RMB60,000 per Tmall Global storefront (of which the Group currently has one) for the year ending 31 December 2017; and
- (ii) technical service fees calculated as a percentage of the value of sales of products or services sold by the Group on the online sales platforms operated by the AGH Relevant Entities. Currently, the products and services sold by the Group at the Tmall and Tmall Global storefronts are subject to fee rates ranging from 2.5% to 4%.

The technical service fees are determined by fee rates applicable to the categories of the products or services sold by the Group, with reference to the fee rate tables published on the respective online sale platforms from time to time. The fee rate tables published on the respective online sale platforms are subject to adjustment and are typically updated annually by the AGH Relevant Entities.

The AGH Relevant Entities will ensure that the terms under which the Services are provided to the Group are no less favourable than the general terms available to other independent third parties. As the standard terms and conditions are amended and published on the respective online sales platforms operated by the AGH Relevant Entities, the Company will regularly check that the rates that it is charged is consistent with such published rates.

The designated annual fees will be settled at the beginning of each calendar year and the technical service fees will be settled immediately after the sales.

4. Evaluation of the terms of the Services Framework Agreement

– *Service Fees*

Pursuant to the Services Framework Agreement, the Service Fees are calculated with reference to standard terms and conditions as amended and published on the respective online sales platforms operated by the respective entities from time to time. As advised by management of the Company, such terms and conditions, including the Service Fees, are also applicable to independent third party merchants.

We have reviewed the Services Framework Agreement and noted that (i) the pricing and payment terms of transactions contemplated under the Services Framework Agreement; and (ii) the scope of services to be provided by the AGH Relevant Entities, are referenced to the respective agreements (the “**Merchant Service Agreements**”) as amended by the respective AGH Relevant Entities from time to time. The Merchant Service Agreements are either published on the respective online sales platforms or available to the online merchants through designated pages after their registration with the respective platforms. It is noted that the Service Fees would be charged in accordance with fee standards issued by the respective online sales platforms based on the merchant’s operating categories on the websites of the online sales platforms. We have checked that such fee standards are published on the websites of the respective online sales platforms and are generally applicable to all online merchants.

As disclosed in the Circular, as the rates are publicly available to all merchants registered on each platform, the Company will regularly check its rates against the publicly available rates to ensure that the rates offered to the Company are no less favourable than the rates available to independent third parties.

Considering that the terms and conditions offered to the Company by the AGH Relevant Entities are no less favourable than the general terms available to

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independent third parties, given the standardised Merchant Service Agreements and standard pricing policies applying to all online merchants within the same operating categories, we are of the view that the Service Fees are fair and reasonable.

– *Payment terms*

The designated annual fees will be settled at the beginning of each calendar year and the technical service fees will be settled immediately after the sales.

As advised by the management of the Company, such payment terms are determined with reference to the terms applicable to all online merchants as published on the respective websites. In accordance with the latest payment terms published on Tmall's website, the designated annual fee for 2017 shall be settled before 2017 while the technical service fees are paid immediately after the sales.

Considering the consistency of payment terms with those applying to other merchants, the payment terms of the Services Framework Agreement are no less favourable than those generally offered to independent third parties. Given the above, we consider the payment terms under the Services Framework Agreement acceptable.

– *Conclusion*

Given that the Service Fees and the payment terms of the Services Framework Agreement are no less favorable than those generally offered by the AGH Relevant Entities to independent third parties, we are of the view that the terms of the Services Framework Agreement are on normal commercial terms, and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

5. The proposed caps

The proposed caps (the "Caps") for the Service Fees payable under the Services Framework Agreement for the two years ending 31 March 2017 and 2018 are set out below:

	For the year ending 31 March 2017 RMB (Note)	For the year ending 31 March 2018 RMB
Service Fees	15,000,000	60,000,000

Note: The annual cap for the year ending 31 March 2017 has taken into account the amount of Service Fees incurred by the Group for the period up to 31 December 2016 (which amounted to approximately RMB3,000,000) under the existing service agreements which expired on 31 December 2016.

Prior to the Services Framework Agreement, members of the Group had entered into service agreements with the AGH Relevant Entities for the provision of the Services which expired on 31 December 2016. The aggregate amount of Service Fees paid by the Group for the Services under the service agreements is summarised below:

	For the year ended 31 March 2016 RMB	For the six months ended 30 September 2016 RMB
Service Fees (Note)	Nil	72,275

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Note: The Group completed the acquisition of GWQNP on 16 August 2016 following which the provision of Services by the Tmall Entities to GWQNP became continuing connected transactions. Accordingly, the historical transaction amount set out above excludes the transaction amounts incurred by GWQNP prior to such date.

The Caps are determined principally based on (i) historical transaction amounts as mentioned above; (ii) the products and services that the Group intends to feature on Alibaba Group's platforms in future, including through its B2C online pharmacy storefront on Tmall, its B2C medical services storefront on Tmall and its B2C healthcare products storefront on Tmall Global; and (iii) the potential of the future development of online healthcare products and services business in China. As disclosed in the Circular, based on the Company's business plan, the Company believes that its sales on Alibaba Group's online sales platforms will increase as the Group introduces a wider range of products and services, enhances its branding and grows its customer base on the platforms. The Company also expects that consumers will become more accustomed to purchasing healthcare products and services through B2C online platforms and that there will be an increase in online traffic through Alibaba Group's online sales platforms and as a result of the Company's own marketing efforts on those platforms. As such, the Group's gross merchandise volume of such products and services on the online platform is expected to increase significantly.

Assessment on the Caps

The Caps have mainly taken into account (i) the Service Fees for transactions to be conducted through the Company's B2C online pharmacy storefront on Tmall (the "**Online Pharmacy Service Fees**"); (ii) the Service Fees for transactions to be conducted through the Company's B2C medical services storefront on Tmall (the "**Medical Services Service Fees**"); (iii) the Service Fees for transactions to be conducted through the Company's B2C healthcare products storefront on Tmall Global (the "**Healthcare Products Service Fees**"); and (iv) a buffer based on a percentage of the total Service Fees mentioned in (i) to (iii) (the "**Buffer**").

In general, the Online Pharmacy Service Fees, the Medical Services Service Fees and the Healthcare Products Service Fees are calculated based on the technical service fee rate(s) charged by the AGH Relevant Entities, and the value of sales of products or services to be sold on the respective online platforms of the AGH Relevant Entities.

In assessing the fairness and reasonableness of the Caps, we have considered the following factors for the storefronts of the Group in arriving at the value of sales of products or services.

(i) The Online Pharmacy Service Fees

The Company officially launched its B2C online pharmacy business in September 2016 and sells mainly over-the-counter ("**OTC**") pharmaceutical products through its Ali Health Pharmacy storefront on the Tmall platform. The Online Pharmacy Service Fees incurred by the Group for the period up to 31 December 2016 amounted to approximately RMB3,000,000.

The projected value of sales of products is calculated mainly based on transaction data, including (i) item page view per unique visitor ("**IPVUV**") number; (ii) conversion rate, representing the ratio of paying customers to IPVUV; and (iii) order amount per customer.

According to the budget and planning of the Group in respect of online sales on the platforms operated by the AGH Relevant Entities, the monthly IPVUV numbers from January 2017 to March 2018 are estimated based on the latest IPVUV numbers and taking into account monthly adjustment rates ranging from 5% to 10% from the base number in projecting the monthly IPVUV numbers for the period from January 2017 to March 2018, considering that (i) the Company will enhance its branding and grow its customer base on Alibaba Group's online sale platforms; and (ii) there will be an increase in online traffic through Alibaba Group's online sales platforms and as a result of the Company's own marketing efforts on those platforms. A higher monthly adjustment rate is noted for certain months like November when the Company expects it will be participating in promotional events and hence higher IPVUV numbers are expected.

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Conversion rates applied in estimating the Caps have been referenced to the latest conversion rate in December 2016. The Company estimates that the conversion rates throughout the period ending 31 March 2018 will have a reasonable increase from December 2016 with the storefront under operation for a period of time.

Order amount per customer applied in estimating the Caps have been referenced to the latest order amount per customer recorded in December 2016, and taking into account a slight increase in order amount per customer in certain months given the promotional activities to be held during the period.

In light of the actual transaction statistics for December 2016, we are of the view that the estimation methodology adopted by the Company in projecting the value of sales of products is reasonable. In assessing the reasonableness of the individual parameters, i.e. IPVUV number, conversion rate and order amount per customer, given that (i) the business on the online sales platforms of the AGH Relevant Entities is newly reinforced with the Company; and (ii) there was a substantial growth in respect of the individual parameter during the period from September to December 2016, we consider the reference to data in December 2016 as the base numbers in estimating the value of sales of products reasonable.

(ii) *The Medical Services Service Fees*

The Company's B2C medical services storefront on Tmall mainly sells health check-up services and vaccination services packages. As advised by the management of the Company, the Company plans to work with pharmaceutical companies to establish an innovative O2O platform to provide information services regarding vaccinations and healthcare treatments. The Group would utilise the Tmall platform in providing such services and pharmaceutical products.

In estimating the projected value of sales of medical services during the term of the Services Framework Agreement, the Company has taken into account budgeted online sales volume and estimated prices of the vaccination and other healthcare services in the PRC, based on its discussions with the pharmaceutical company that the Company has entered into cooperation agreement with and we consider the basis of determination of the projected value of sales reasonable.

(iii) *The Healthcare Products Service Fees*

As advised by the management of the Company, given that its sales of overseas healthcare products through its storefront on Tmall Global is a new geographical segment of business to the Group, it has made reference to the sales performance of an online pharmacy storefront, which is an independent third party, on Tmall Global. According to the budget and planning of the Group in respect of Service Fees payable to the AGH Relevant Entities, the amount of the Healthcare Products Service Fee is relatively insignificant. Considering the geographical segment of business is new to the Group and the business of the other storefront on Tmall Global that is referred to is similar in nature, the basis of estimating the projected value of sales is considered to be acceptable.

– *the Buffer*

It is noted that a more aggressive buffer is incorporated in the Cap for the year ending 31 March 2017. In assessing the fairness and reasonableness of the Buffer, we have considered the growth of healthcare expenditure in the PRC and the increasing propensity of consumers to shop online. As mentioned above, as the business on the online sales platforms of the AGH Relevant Entities is at an early stage, it is reasonable to allow sufficient buffer to take into account the potential growth of business to avoid holding back further transactions on the platforms operated by the AGH Relevant Entities when the Caps are about to be reached. Insufficient flexibility with the Caps may result in online transactions being held back, which may in turn cause a loss of confidence in the Company's online platforms by consumers and have an adverse impact on the Group's future revenue from its e-commerce business in the long term. Given the above, it is considered the extent of the Buffer for the year ending 31 March 2017 is reasonable.

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It is also noted that the percentage applied for the Buffer of the Cap for the year ending 31 March 2018 is smaller. Taking into account the potential growth in gross domestic product in the PRC and the expected stabilised growth in the business, such Buffer is considered to be reasonable.

– *Conclusion*

Having considered (i) the basis of determination of the Online Pharmacy Service Fees, the Medical Services Service Fees and the Healthcare Products Service Fees; and (ii) the reason for setting the Buffer, we are of the view that the Caps are fair and reasonable.

6. Annual review of the Continuing Connected Transactions

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

- a) each year, the independent non-executive Directors must review the transactions to be carried out pursuant to the Services Framework Agreement and confirm in the annual report whether the transactions to be carried out pursuant to the Services Framework Agreement have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms or better; and
 - (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- b) each year, the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days before the bulk printing of the Company's annual report), confirming whether anything has come to their attention that causes them to believe that the transactions to be carried out pursuant to the Services Framework Agreement:
 - (i) have not been approved by the Board;
 - (ii) were not, in all material aspects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
 - (iii) were not entered into, in all material aspects, in accordance with the relevant agreement governing the transactions to be carried out pursuant to the Services Framework Agreement; and
 - (iv) have exceeded the Caps;
- c) the Company shall allow, and shall ensure that the counterparties to the transactions to be carried out pursuant to the Services Framework Agreement allow, the Company's auditors sufficient access to their records for the purpose of reporting on the transactions to be carried out pursuant to the Services Framework Agreement as set out in paragraph (b). The Board must state in the annual report whether the Company's auditors have confirmed the matters stated in Listing Rule 14A.56; and
- d) the Company shall promptly notify the Stock Exchange and publish an announcement if the independent non-executive directors and/or the auditors of the Company cannot confirm the matters set out in paragraphs (a) and/or (b) respectively.

In addition to the annual review by the auditors and independent non-executive directors of the Company as mentioned above, the Group will further adopt certain internal

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control procedures (with details disclosed in the sub-section headed “2.1 (h) Internal controls relating to the implementation of the Services Framework Agreement” in the “Letter from the Board” contained in the Circular) to ensure that the Continuing Connected Transactions are conducted in accordance with the terms of the Services Framework Agreement.

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

OPINION AND RECOMMENDATION

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

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

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

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS' INTERESTS OR SHORT POSITIONS IN EQUITY SECURITIES

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

Long Position in Shares

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

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

Long Position in shares of associated corporation

Name of Director	Name of associated corporation	Nature of interest	Number of shares/ underlying shares held	% of issued shares of associated corporation
Mr. WANG Lei	Alibaba Holding	Beneficial, equity derivative interests and interests of spouse ⁽¹⁾	102,498	0.00%
		Beneficiary of a trust ⁽²⁾	20,000	0.00%
Mr. TSAI Chung, Joseph	Alibaba Holding	Beneficial, equity derivative interests and interests of spouse ⁽³⁾	1,807,964	0.07%
		Interests in controlled corporation and other interests ⁽⁴⁾	61,515,572	2.46%
		Founder of a discretionary trust ⁽⁵⁾	10,078,199	0.40%

Name of Director	Name of associated corporation	Nature of interest	Number of shares/ underlying shares held	% of issued shares of associated corporation
Ms. HUANG Aizhu	Alibaba Holding	Beneficial and equity derivative interests ⁽⁶⁾	103,572	0.00%
Mr. KANG Kai	Alibaba Holding	Beneficial and equity derivative interest ⁽⁷⁾	14,061	0.00%
Mr. WU Yongming	Alibaba Holding	Beneficial and interests of spouse ⁽⁸⁾	281,017	0.01%
		Interests in controlled corporation ⁽⁹⁾	200,000	0.01%
		Founder of a discretionary trust ⁽¹⁰⁾	6,813,690	0.27%
Mr. YAN Xuan	Alibaba Holding	Beneficial interest	3,000	0.00%

Notes:

1. It represents 21,250 ordinary shares or underlying ordinary shares and 77,000 restricted share units beneficially held by Mr. WANG Lei and 1,500 ordinary shares or underlying shares and 2,748 restricted share units held by his spouse.
2. It represents 20,000 ordinary shares or underlying ordinary shares held by a private trust whereby Mr. WANG Lei and his family are beneficiaries.
3. It represents 1,510,464 ordinary shares and 137,500 restricted share units beneficially held by Mr. TSAI Chung, Joseph and 160,000 ordinary shares held by his spouse.
4. It represents the sum of 2,745,020 shares held by or deemed to be held by MFG Limited (of which Mr. TSAI Chung, Joseph is the sole director), 21,105,952 ordinary shares or underlying ordinary shares directly or indirectly held by Parufam Limited (of which Mr. TSAI Chung, Joseph is a director and has been delegated sole voting and disposition power), 21,123,178 ordinary shares held by PMH Holding Limited (of which Mr. TSAI Chung, Joseph is the sole director), 15,000,000 ordinary shares held by APN Ltd. (in which Mr. TSAI Chung, Joseph holds 30% equity interest and has been granted a revocable proxy to vote 15,000,000 ordinary shares owned by APN Ltd.), 1,541,422 underlying ordinary shares held by MFG II Ltd. (which is wholly-owned by Mr. TSAI Chung, Joseph).
5. It represents the 10,078,199 ordinary shares and/or options held by Joe and Clara Tsai Foundation Limited (whereby Mr. TSAI Chung, Joseph is the "founder" of the trust within the meaning of the SFO).
6. It represents 59,572 ordinary shares or underlying ordinary shares and 44,000 restricted share units beneficially held by Ms. HUANG Aizhu.
7. It represents 2,061 ordinary shares or underlying ordinary shares and 12,000 restricted share units beneficially held by Mr. KANG Kai.
8. It represents 81,017 ordinary shares held by Mr. WU Yongming, and 200,000 ordinary shares held by his spouse.
9. It represents 200,000 ordinary shares or underlying ordinary shares held by Plus Force Enterprise Ltd. (which is wholly owned by Mr. WU Yongming).
10. It represents 6,813,690 ordinary shares or underlying ordinary shares held by Mr. WU Yongming through two private trusts whereby he is the founder of the discretionary trusts.

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

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

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

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

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

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

As at the Latest Practicable Date, none of the Directors has, or has had, any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since March 31, 2016, the date to which the latest published audited financial statements of the Group were made up; and, except for any perceived material interest in transactions between members of Alibaba Group and the Company due to their role as employees of Alibaba Holding or its Subsidiaries, none of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

4. SERVICE CONTRACTS

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

5. COMPETING INTERESTS

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

6. CONSENT OF EXPERT

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

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

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

As at the Latest Practicable Date, Somerley Capital did not have: (a) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (b) any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since March 31, 2016, the date to which the latest published audited financial statements of the Group were made up.

7. MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since March 31, 2016, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (i) the Services Framework Agreement;
- (ii) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 11 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 12 to 20 of this circular;
- (iv) the written consent referred to in the section headed "Consent of Expert" of this Appendix; and
- (v) this circular.

9. LANGUAGE

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

NOTICE OF SPECIAL GENERAL MEETING



ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED

阿里健康信息技術有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00241)

Notice is hereby given that a special general meeting (the *SGM*) of Alibaba Health Information Technology Limited (the *Company*) will be held at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong on Friday, March 10, 2017 at 10:00 a.m. for the purposes of considering and, if thought fit, passing (with or without amendments) the following ordinary resolution:

ORDINARY RESOLUTION

1. "THAT

- (a) the Services Framework Agreement entered into between the Company, Alibaba.com China Limited (阿里巴巴網絡中國有限公司) and Taobao China Holding Limited (淘寶中國控股有限公司), on December 31, 2016, the continuing connected transactions contemplated thereunder and the proposed annual caps for the year ending March 31, 2017 and 2018, be and are hereby confirmed, approved and ratified; and
- (b) any one or more of the directors of the Company (the *Directors*) for and on behalf of the Company, be and are hereby authorized to sign, seal, execute and deliver all such documents and deeds, and do all such acts, matters and things as they may in their discretion consider necessary, desirable or expedient to give effect to and/or to implement the transactions contemplated in this Resolution 1."

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

Chief Executive Officer and Executive Director

Hong Kong, February 22, 2017

Notes:

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

NOTICE OF SPECIAL GENERAL MEETING

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