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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)

DISCLOSEABLE TRANSACTION

The Board is pleased to announce that on June 25, 2018, Alibaba Health (China) entered into the Capital Increase Agreement with the Target Company and the Existing Target Shareholders, pursuant to which Alibaba Health (China) shall inject RMB454,400,000 in cash into the Target Company, of which RMB34,080,000 shall be contributed to the increase in its registered capital, and RMB420,320,000 shall be contributed to its capital reserve. Upon completion of the Capital Increase Agreement, the registered capital of the Target Company shall be increased to RMB364,800,000 and the Target Company shall be held as to 9.34% by Alibaba Health (China).

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Capital Increase Agreement exceed(s) 5% but are all below 25%, the Capital Increase Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Warning: The completion of the Capital Increase Agreement is subject to the satisfaction and/or waiver (where applicable) of conditions precedent. As the Capital Increase Agreement may or may not proceed to completion, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

THE CAPITAL INCREASE AGREEMENT

The Board is pleased to announce that on June 25, 2018, Alibaba Health (China) entered into the Capital Increase Agreement with the Target Company. The principal terms of the Capital Increase Agreement are set out below.

Date

June 25, 2018

Parties to the Capital Increase Agreement

- (1) the Target Company;
- (2) Alibaba Health (China); and
- (3) the Existing Target Shareholders.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Target Company and the Existing Target Shareholders and their ultimate beneficial owners, are third parties independent of the Company and its connected persons.

Capital contribution

As at the date of this announcement, the Existing Target Shareholders hold the entire registered capital of RMB330,720,000 in the Target Company. Pursuant to the Capital Increase Agreement:

- Alibaba Health (China) shall inject RMB454,400,000 in cash into the Target Company, of which RMB34,080,000 shall be contributed to the increase in the registered capital of the Target Company, and RMB420,320,000 shall be contributed to the capital reserve of the Target Company.
- upon completion of the Capital Increase Agreement, the registered capital of the Target Company shall be increased by RMB34,080,000 to RMB364,800,000 and the Target Company shall be held as to 9.34% by Alibaba Health (China) and 90.66% by the Existing Target Shareholders.

The Target Company will become a long-term investment in an associate of the Company upon completion of the Capital Increase Agreement, and the financial results of the Target Company will not be consolidated into the accounts of the Group. The profit and loss of the Target Company will be recognized as a share of profit or loss from the Company's associate.

Consideration and payment

The consideration under the Capital Increase Agreement is RMB454,400,000, which shall be payable in cash to the Target Company's designated bank account within five Business Days following the receipt of certain completion deliverables to be delivered after satisfaction and/or waiver of certain conditions precedent, or by such other date as agreed by the parties, provided that such date shall be no later than June 30, 2018.

The consideration for the Capital Increase Agreement was determined after arm's length negotiations among the parties to the Capital Increase Agreement with reference to the revenue and profit of the Target Group for the year ended December 31, 2017, the business prospects of both the Target Group and the retail pharmaceutical industry, the prevailing valuation level for comparable companies in recent comparable transactions, and the strategic value of the Target Group's business to the Group's business. The consideration will be financed by the Group's internal funds.

Respective percentages of the registered capital of the Target Company held by the parties to the Capital Increase Agreement

Parties to the Capital Increase Agreement	Percentage of registered capital as at the date of this announcement	Percentage of registered capital immediately after completion of the Capital Increase Agreement
Founding Shareholders	65.32%	59.21%
Founder Families and Partners Shareholding Platform	13.79%	12.50%
Employees' Shareholding Platform	11.61%	10.53%
Financial and Other Investors	9.28%	8.42%
Alibaba Health (China)	—	9.34%
Total	<u>100%</u>	<u>100%</u>

Management of the Target Company

Pursuant to the Capital Increase Agreement, Alibaba Health (China) shall be entitled to certain customary investor protection rights. Following the completion of the Capital Increase Agreement, Alibaba Health (China) shall be entitled to appoint a representative to attend the board meetings of the Target Company. After the listing of the Target Company on a recognized stock exchange, Alibaba Health (China) shall be entitled to shareholder's rights in accordance with the provisions of the PRC Company Law and the Target Company's articles of association.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company's mission is to "make good health achievable at the fingertips". By connecting participants in the PRC pharmaceutical market, it aims to achieve 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". Through its investment in the Target Company, the Company will work with the Target Company to explore and develop regional, new pharmaceutical retail models, to access more consumers in the pharmaceutical retail market, and to provide such consumers with more comprehensive, diversified and convenient pharmaceutical services.

The Directors (including the independent non-executive Directors) consider that the terms of the Capital Increase Agreement are fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LISTING RULE IMPLICATIONS

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Capital Increase Agreement exceed(s) 5% but are all below 25%, the Capital Increase Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

INFORMATION ABOUT THE TARGET COMPANY

The Target Company was established in the PRC. As at the date of this announcement, the Target Company has an existing registered capital of RMB330,720,000, which is held as to 100% by the Existing Target Shareholders.

The Target Company and its operating subsidiaries are primarily engaged in pharmaceutical retail chain business. As at December 31, 2017, the Target Company and its operating subsidiaries operated more than 1,200 pharmacies in the PRC.

Based on the unaudited consolidated accounts of the Target Company prepared in accordance with PRC accounting principles for the year ended December 31, 2017, the consolidated net asset value of the Target Company was approximately RMB715,937,727. The unaudited consolidated net profit/loss (before and after taxation and extraordinary items) of the Target Company for the two financial years ended December 31, 2016 and 2017 are set out below:

	For the year ended December 31,	
	2016	2017
	<i>(RMB)</i>	<i>(RMB)</i>
Net profit before taxation	131,680,758	175,061,054
Net profit attributable to the owners of the parent company after taxation	96,660,318	122,698,479
Net profit after taxation	94,548,318	117,716,391

INFORMATION ABOUT THE EXISTING TARGET SHAREHOLDERS

Mr. Li and Ms. Qin are PRC nationals.

Jinan Shuyu Jinyun is a limited partnership established in the PRC and is the Founding Shareholders' families' and partners' shareholding platform.

Jinan Shuyu Tongcheng is a limited partnership established in the PRC and is the Target Company's employees' shareholding platform.

Jinan Shuyu Jinyang is an investment holding entity established as a limited partnership in the PRC, Nanjing Huatai is an investment holding and investment consultation services entity established as a limited partnership in the PRC, while Nanjing Daoxing is an investment holding entity established as a general partnership in the PRC.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Target Company and the Existing Target Shareholders and their ultimate beneficial owners, are third parties independent of the Company and its connected persons.

INFORMATION ABOUT THE COMPANY AND ALIBABA HEALTH (CHINA)

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

Alibaba Health (China) is a limited liability company established in the PRC with a registered capital of RMB220 million. It is an indirect wholly owned subsidiary of the Company and is primarily engaged in the provision of technical services related to Internet-based medical services, pharmaceutical e-commerce, intelligent medicine and tracking services.

WARNING

The completion of the Capital Increase Agreement is subject to the satisfaction and/or waiver (where applicable) of conditions precedent. As the Capital Increase Agreement may or may not proceed to completion, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

“Alibaba Health (China)”	Alibaba Health Technology (China) Company Limited* (阿里健康科技(中國)有限公司), a subsidiary of the Company
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, or Sunday or day legally designated by the PRC government as a statutory holiday)
“Capital Increase Agreement”	the capital increase agreement dated June 25, 2018 entered into by the Target Company, Alibaba Health (China) and the Existing Target Shareholders
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“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)
“connected persons”	has the meaning ascribed to it is under the Listing Rules
“Director(s)”	director(s) of the Company
“Employees’ Shareholding Platform”	Jinan Shuyu Tongcheng, which is the employees’ shareholding platform of the Target Company
“Existing Target Shareholders”	Mr. Li, Ms. Qin, Jinan Shuyu Jinyun, Jinan Shuyu Tongcheng, Jinan Shuyu Jinyang, Nanjing Huatai and Nanjing Daoxing
“Financial and Other Investors”	Jinan Shuyu Jinyang, Nanjing Huatai and Nanjing Daoxing

“Founder Families and Partners Shareholding Platform”	Jinan Shuyu Jinyun, which is the founding shareholders’ shareholding platform of the Target Company
“Founding Shareholders”	Mr. Li and Ms. Qin
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Jinan Shuyu Jinyang”	Jinan Shuyu Jinyang Investment Partnership Enterprise (Limited Partnership)* (濟南漱玉錦陽投資合夥企業(有限合夥)), a limited partnership established in the PRC
“Jinan Shuyu Jinyun”	Jinan Shuyu Jinyun Investment Partnership Enterprise (Limited Partnership)* (濟南漱玉錦雲投資合夥企業(有限合夥)), a limited partnership established in the PRC
“Jinan Shuyu Tongcheng”	Jinan Shuyu Tongcheng Investment Partnership Enterprise (Limited Partnership)* (濟南漱玉通成投資合夥企業(有限合夥)), a limited partnership established in the PRC
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Li”	Li Wenjie (李文傑)
“Ms. Qin”	Qin Guangxia (秦光霞)
“Nanjing Daoxing”	Nanjing Daoxing Investment Management Center* (南京道興投資管理中心) (普通合夥), a general partnership established in the PRC
“Nanjing Huatai”	Nanjing Huatai Big Healthcare No. 1 Equity Investment Partnership Enterprise (Limited Partnership)* (南京華泰大健康一號股權投資合夥企業(有限合夥)), a limited partnership established in the PRC
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“PRC Company Law”	the PRC Company Law (《中華人民共和國公司法》), as promulgated by the Standing Committee of the Eight National People’s Congress on December 29, 1993 and as revised on December 1999, August 28, 2004, October 27, 2005 and December 28, 2013
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holders of the Shares
“Shares”	ordinary shares in the issued capital of the Company with a nominal value of HK\$0.01 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in the Listing Rules
“Target Company”	ShuYu Civilian Pharmacy Corp. Ltd.* (漱玉平民大藥房連鎖股份有限公司), a joint stock company established in the PRC with limited liability
“%”	per cent.

For and on behalf of the Board
Alibaba Health Information Technology Limited
SHEN Difan
Chief Executive Officer and Executive Director

Hong Kong, June 25, 2018

As at the date of this announcement, the Board comprises eight Directors, of which (i) one is executive Director, namely Mr. SHEN Difan; (ii) four are non-executive Directors, namely Mr. WU Yongming, Mr. WANG Lei, Mr. KANG Kai and Ms. ZHANG Yu; and (iii) three are independent non-executive Directors, namely Mr. YAN Xuan, Mr. LUO Tong and Mr. WONG King On, Samuel.

* *For identification purposes only*