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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)

CONTINUING CONNECTED TRANSACTION MARKETING AGENCY SERVICES

Pursuant to the Agency Agreement entered into by Alibaba Health Technology (China), an indirect wholly-owned Subsidiary of the Company, and Alimama on August 4, 2016, Alimama has agreed to provide marketing services to Alibaba Health Technology (China) and its contracted clients for a term of nine months from July 1, 2016 to March 31, 2017. At the time of entering into the Agency Agreement, the Directors expected that the annual cap of the aggregate marketing expenses to be incurred and the incentive fees to be received under the Agency Agreement would not exceed HK\$3,000,000 and that the applicable percentage ratios would be less than 5%, and therefore the transactions contemplated under the Agency Agreement would be fully exempt continuing connected transactions under Chapter 14A of the Listing Rules. Based on the management accounts of Alibaba Health Technology (China) from July to December 2016, the marketing expenses incurred pursuant to the Agency Agreement was approximately RMB1,300,000. Based on the Company's business plans for the subsequent months, the Group now expects that the annual cap of the Agency Agreement would be revised to be HK\$9,500,000 for the year ending March 31, 2017.

Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Holding is the ultimate majority shareholder of Perfect Advance and Alimama is an indirect wholly owned Subsidiary of Alibaba Holding. Accordingly, Alimama is also a connected person of the Group and the transactions contemplated under the Agency Agreement will constitute continuing connected transactions for the Company in accordance with the Listing Rules.

As each of the applicable percentage ratios calculated with reference to the revised annual cap in respect of the Agency Agreement is more than 0.1% but less than 25%, and the revised annual cap is less than HK\$10,000,000, the transactions contemplated under the Agency Agreement are subject to the reporting, annual review, and announcement requirements, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE AGENCY AGREEMENT

Background

On August 4, 2016, Alibaba Health Technology (China) entered into the Agency Agreement with Alimama. At the time of entering into the Agency Agreement, the Directors expected that the annual cap of the aggregate marketing expenses to be incurred and the incentive fees to be received under the Agency Agreement would not exceed HK\$3,000,000 and that the applicable percentage ratios would be less than 5%, and therefore the transactions contemplated under the Agency Agreement would be fully exempt continuing connected transactions under Chapter 14A of the Listing Rules. Based on the management accounts of Alibaba Health Technology (China) from July to December 2016, the marketing expenses incurred pursuant to the Agency Agreement was approximately RMB1,300,000. Based on the Company's business plans for the subsequent months, the Group now expects that the annual cap of the Agency Agreement would be revised to be HK\$9,500,000 for the year ending March 31, 2017. As each of the applicable percentage ratios calculated with reference to the revised annual cap in respect of the Agency Agreement is more than 0.1% but less than 25%, and the revised annual cap is less than HK\$10,000,000, the transactions under the Agency Agreement are subject to the reporting, annual review and announcement requirements, but exempt from independent shareholder's approval requirements, pursuant to Chapter 14A of the Listing Rules.

The principal terms of the Agency Agreement are set out below.

Date

August 4, 2016

Parties

- (1) Alibaba Health Technology (China), as the marketing agent
- (2) Alimama, as the marketing services provider

Duration

The Agency Agreement shall be for a term of nine months from July 1, 2016 to March 31, 2017, unless otherwise terminated in accordance with the terms thereunder.

Services to be provided by Alimama, incentive fees and payment term

Pursuant to the Agency Agreement, Alibaba Health Technology (China) as the marketing agent will purchase for itself and its contracted clients and Alimama as the marketing services provider will provide for Alibaba Health Technology (China) and its contracted clients various marketing and promotion services and advertisements on the marketing platforms and advertising platforms and any other newly-added marketing resources in the future provided by Alimama and/or its affiliated companies during the term of the Agency Agreement. The actual marketing expenses will be settled quarterly.

In return of the actual marketing expenses incurred by Alibaba Health Technology (China) and its contracted clients, Alibaba Health Technology (China) will be entitled to receive certain incentive fees which is calculated based on a certain percentage of the actual marketing expenses incurred by it and its contracted clients with Alimama on a quarterly and annual basis should the actual marketing expenses exceed certain levels. For the quarterly incentive fees, it is calculated based on rates of 5% to 10% of the actual quarterly marketing expenses incurred by Alibaba Health Technology (China) for itself and its contracted clients, depending on the category of marketing services. For the annual incentive fees, it is calculated based on the rates of 1% to 9% of the actual annual marketing expenses incurred by Alibaba Health Technology (China) for itself and its contracted clients, depending on the category of marketing services.

The quarterly incentive fees are to be settled on a quarterly basis and to be paid by Alimama within 30 business days upon issuance of invoice. The annual incentive fees are to be settled three months after the expiry of the Agency Agreement and to be paid by Alimama within 30 business days upon issue of invoice.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGENCY AGREEMENT

The Group has built up connections to various healthcare brands through its pharmaceutical e-commerce business and discovers that various healthcare brands has been conducting promotions for its own brand and other brands through video programs and its own mobile application. Through the course of such business the Group has identified a clear demand from healthcare brands for coordinated marketing and promotional consultancy services. Accordingly, the Group believes that by packaging its own marketing and promotional resources together with external resources, including but not limited to Alibaba Group's marketing and promotional resources, it will be able to better serve its customers. At the same time, collecting incentive fees from Alibaba Group and other marketing and promotion services providers will provide additional income for the Group and will be beneficial to the long term development of the Group.

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

HISTORICAL TRANSACTION AMOUNTS

As this is the first agency agreement entered into between the parties, there are no historical transaction amounts in previous financial years. Since the commencement of effective date of the Agency Agreement, the marketing expenses incurred and the incentive fees received by Alibaba Health Technology (China) under the Agency Agreement from July to December, 2016 were approximately RMB1,300,000 and nil, respectively.

ANNUAL CAP AMOUNT AND BASIS FOR DETERMINING THE ANNUAL CAP AMOUNT

The annual cap contemplated under the Agency Agreement covers the marketing expenses to be incurred by Alibaba Health Technology (China) for the marketing services used by it and the incentive fees to be received by Alibaba Health Technology (China) with regards to the marketing expenses committed by itself and its contracted clients.

It is expected that the revised annual cap of the aggregate of the actual marketing expenses to be incurred by and the incentive fees to be received by Alibaba Health Technology (China) under the Agency Agreement for the year ending March 31, 2017 will be not more than HK\$9,500,000.

The revised annual cap has been estimated primarily based on the historical amount of the Agency Agreement from July to December, 2016, the expected increase of marketing expenses in the remaining three months for the year ending March 31, 2017 committed by Alibaba Health Technology (China) based on its business growth and marketing needs, the expected increase in the number of contracted clients, and their estimated future demand for marketing services.

The Directors (including the independent non-executive Directors) consider that the revised annual cap is fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Holding is the ultimate majority shareholder of Perfect Advance and Alimama is an indirect wholly owned Subsidiary of Alibaba Holding. Accordingly, Alimama is also a connected person of the Company and the transactions contemplated under the Agency Agreement constitute continuing connected transactions for the Company in accordance with the Listing Rules.

As each of the applicable percentage ratios calculated with reference to the revised annual cap in respect of the Agency Agreement is more than 0.1% but less than 25%, and the revised annual cap is less than HK\$10,000,000, the transactions under the Agency Agreement are subject to the reporting, annual review and announcement requirements, but exempt from independent shareholder's approval requirements, pursuant to Chapter 14A of the Listing Rules.

As Mr. Wu Yongming, Mr. Tsai Chung, Joseph, Ms. Huang Aizhu and Mr. Kang Kai are employees of Alibaba Holding or its Subsidiaries, each of these Directors is deemed or may be perceived to have a material interest in the transactions contemplated under the Agency Agreement. Accordingly, they had abstained from voting on the board resolutions in connection with the continuing connected transaction under the Agency Agreement. Other than the aforesaid Directors, no other Directors have a material interest in the transactions contemplated under the Agency Agreement and are not requested to abstain from voting on the board resolutions approving the same.

PRINCIPAL ACTIVITIES OF THE GROUP AND ALIMAMA

The Company was incorporated in Bermuda and the Shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Company is an investment holding company and the Group is 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.

Alibaba Health Technology (China) is a limited liability company incorporated in the PRC. It is an indirect wholly owned Subsidiary of the Company that engages primarily in computing technology development, technology consultancy and services, and marketing and business development for the Group's business operations.

Alimama operates Alibaba Group's marketing technology platform, through which it offers sellers on Alibaba Group's marketplaces P4P marketing service and display marketing for both personal computer and mobile devices.

DEFINITIONS

“Agency Agreement”	the Agency Agreement entered into between Alibaba Health Technology (China) and Alimama dated August 4, 2016
“Alibaba Group”	the group of companies comprising Alibaba Holding and its Subsidiaries, for the purpose of this announcement, excluding the Group
“Alibaba Health Technology (China)”	Alibaba Health Technology (China) Company Limited* (阿里健康科技(中國)有限公司), an indirect wholly-owned Subsidiary of the Company
“Alibaba Holding”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands, the ultimate controlling shareholder of the Company, and the American depositary shares of which are listed on the New York Stock Exchange
“Alimama”	Hangzhou Alimama Software Services Co., Ltd.* (杭州阿里媽媽軟件服務有限公司), a company incorporated in the PRC and an indirect wholly owned Subsidiary of Alibaba Holding
“Board”	the board of directors of the Company
“Company”	Alibaba Health Information Technology Limited (阿里健康信息技術有限公司), a company incorporated in Bermuda, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 00241)
“Director(s)”	member(s) of the Board
“Group”	the Company and each of its Subsidiaries from time to time
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Perfect Advance”	Perfect Advance Holding Limited, a company incorporated in the British Virgin Islands and an indirectly non-wholly-owned Subsidiary of Alibaba Holding
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Subsidiary”

includes, in relation to any person: (i) any company or business entity of which that person owns or controls (either directly or through one or more other subsidiaries) more than 50% of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or business entity; (ii) any company or business entity of which that person owns or controls (either directly or through one or more other subsidiaries, by contract or otherwise) not more than 50% of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or business entity but effectively controls (either directly or through one or more other Subsidiaries) the management or the direction of business operations of such company or business entity; and (iii) any company or business entity which at any time has its accounts consolidated with those of that person or which, under Hong Kong law or any other applicable law, regulations or the Hong Kong Financial Reporting Standards or such other generally accepted accounting principles or standards as may be applicable to that person from time to time, should have its accounts consolidated with those of that person

“%”

per cent

* *For identification purpose only*

By Order of the Board
Alibaba Health Information Technology Limited
WANG Lei
Chief Executive Officer and Executive Director

Hong Kong, January 6, 2017

As at the date of this announcement, 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. Samuel King On WONG.