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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)

NON-EXEMPT CONTINUING CONNECTED TRANSACTION – SERVICES AGREEMENT

NON-EXEMPT CONTINUING CONNECTED TRANSACTION – SERVICES AGREEMENT

Reference is made to the circular of the Company dated August 26, 2016 and the announcements of the Company dated April 1, 2016 and August 24, 2016 in which the Company announced, among other things, that on August 24, 2016, Alibaba Health Technology (China) (formerly known as Alibaba Health Technology (Beijing)), a subsidiary of the Company, entered into the Original Services Agreement with the Tmall Entities which are wholly owned or controlled by Alibaba Holding (the ultimate controlling shareholder of the Company) to provide certain outsourced and value-added services in relation to the Relevant Categories. The Original Services Agreement will expire on March 31, 2017. The Board is pleased to announce that, on March 10, 2017, the same parties entered into the Services Agreement to renew the Original Services Agreement on substantially the same key terms for one year.

IMPLICATIONS UNDER THE LISTING RULES

Alibaba Holding is the ultimate majority shareholder of Tmall Technology and the Company, and Controls Tmall Network. The Tmall Entities are members of Alibaba Group. Accordingly, the Tmall Entities are also connected persons of the Group. It is expected that the highest of the applicable percentage ratios in respect of the Services Agreement will be more than 5%.

Accordingly, the transactions contemplated under the Services Agreement will constitute non-exempt continuing connected transactions and are subject to the applicable requirements under the Listing Rules, including the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 entry into of the Services 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.

DESPATCH OF CIRCULAR

A circular containing, among other things: (i) further details of the Services Agreement; (ii) the advice and recommendations of the Independent Board Committee; (iii) the advice and recommendations of the Independent Financial Adviser; and (iv) notice of the SGM, will be despatched to the Shareholders on or before March 15, 2017 in accordance with the requirements of the Listing Rules.

WARNING

The commencement of the Services Agreement is subject to Independent Shareholders' approval, which may or may not be obtained. If Independent Shareholders' approval is not obtained, the Services Agreement will not become effective.

Shareholders and potential investors should exercise caution when they deal or contemplate dealing in the Shares or other securities of the Company.

1. NON-EXEMPT CONTINUING CONNECTED TRANSACTION – SERVICES AGREEMENT

Pursuant to the terms of the Services Agreement, Alibaba Health Technology (China) agrees to provide the Tmall Entities with the certain outsourced and value-added services in relation to the Relevant Categories.

1.1 Principal terms of the Services Agreement

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

(a) *Date*

March 10, 2017

(b) *Parties*

(1) The Tmall Entities

(2) Alibaba Health Technology (China), a subsidiary of the Company

(c) *Term and termination*

Subject to approval by the Independent Shareholders at the SGM, the term of the Services Agreement will commence from the Effective Date and end on March 31, 2018, unless otherwise terminated in accordance with the terms of the Services Agreement. The Company will decide on the renewal of the Services Agreement prior to March 31, 2018.

The Services Agreement shall automatically terminate upon the occurrence of any of the following events:

- (i) if any party is ordered or judged to be bankrupt, comes under receivership or enters into any plan or settlement proposal with its creditors or makes any transfer in the interests of its creditors;
- (ii) if the assets of any party are nationalized or requisitioned by any government or government department;
- (iii) if Alibaba Holding directly or indirectly holds less than 30% of the total issued share capital of the Company or ceases to be a “controlling shareholder” (as defined in the Listing Rules) of the Company; or
- (iv) if the monetary cap is exceeded during the term of the Services Agreement.

In the event of any dispute on the service fee that is not resolved within 60 days, either the Tmall Entities or Alibaba Health Technology (China) may terminate the Services Agreement by giving the other party/parties written notice of no less than 30 days.

If there is a material breach of the Services Agreement that has not been remedied after 30 days from the notice of such breach, the non-defaulting party/parties may terminate the Services Agreement with immediate effect.

Both Alibaba Health Technology (China) and the Tmall Entities shall also have the right to terminate the Services Agreement by giving the other party/parties a written notice of no less than 30 days.

(d) Services to be provided

Pursuant to the terms of the Services Agreement, Alibaba Health Technology (China) agrees to provide the Tmall Entities with the following outsourced and value-added services in relation to the Relevant Categories:

- (i) Merchants' business development, including tracking market trends and policy updates. For example, the Group will update Merchants on any policy changes and provide analysis of how such changes might impact Merchants' business, and on trends to help Merchants identify opportunities or areas to focus on in their business;
- (ii) Merchant customer services, including providing helpline support for Merchants on the process of admission to Tmall and general operational questions; assisting Merchants in optimizing searches for their products through their product information display, collating and analyzing consumer behavior data, updating Merchants on any new business rules, upcoming marketing activities, business risks, as well as collecting feedback and suggestions from Merchants to improve overall services to Merchants. For example, the Group will assist Merchants to optimize searches for their products through using more intuitive or popular key words of product functions in the product names, increase cross-selling opportunities by analysing overall customer purchase trends and making customized recommendations to consumers and increase repeat custom by recommending certain promotions for repeat purchases. As part of the store design services, the Group can also provide tailored suggestions such as how to use banner designs to drive brand recognition, better placement of the latest promotions on the storefront to increase user clicks, and tab design based on functionality and to emphasize brand recognition;
- (iii) marketing event planning for Merchants, including planning and organizing marketing events for Merchants, organizing Merchants to participate in events, designing and building event webpage interfaces, planning customer discount programs and conducting consumer data analysis. For example, the Group will plan special marketing events around certain themes such as around hot and cold seasons, or at the same time as specific awareness days such as World Cancer Day or World Diabetes Day, as well as conduct consumer data analysis to provide feedback on the performance of the sales of products or services which Merchants have selected to participate in the marketing events as well as the amount of resultant traffic to the Merchants' stores;
- (iv) technical support, including providing technical support on product information display and store design, transaction completion processes, the use of payment tools, consumer service tools (such as the use of chat windows or complaints forms); and

- (v) assistance to the Tmall Entities' business team with Tmall Entities': (a) Merchant admissions; (b) Merchants' business operations; (c) Merchant management; and (d) product quality control functions, including assisting with formulating rules that govern Merchants' operation, reviewing documents required for Merchants' admission and formulating and implementing quality control rules and conducting regular inspections.

The Tmall Entities will continue to have primary responsibility for all work and business decisions pertaining to the Merchant admissions, Merchants' business operations and product quality control functions, including signing and reviewing contracts with Merchants, reviewing product information and images displayed by the Merchants and providing the technology infrastructure, and Alibaba Health Technology (China) agrees to assist with, and execute business decisions made by, the Tmall Entities.

(e) Service fee, annual cap and historical transactions

The Tmall Entities shall pay the Group a service fee amounting to 21.5% of the fees paid by the Merchants to the Tmall Entities and/or their respective affiliates in respect of the value of completed sales of products or services under the Relevant Categories on Tmall. The service fee for the term of the Services Agreement will be fixed and may not be adjusted.

The service fee shall be paid in cash on a quarterly basis. The service fee is determined by reference to, among other things, the operating costs expected to be incurred by the Group in providing the services including staff costs, forecast marketing and promotional activities and technical support expenses.

The proposed annual cap in respect of the service fee payable to the Group during the term of the Services Agreement is RMB110 million.

The proposed monetary cap for the applicable period was arrived at after considering the revenue generated by the Company as a result of the historical transactions under the Original Services Agreement since it became effective on September 13, 2016, the unaudited revenue of Tmall attributable to the Relevant Categories for recent financial years, and the Company's own projections for the Relevant Categories for the year ending March 31, 2018 based on projections for the growth of the corresponding business and the overall healthcare market in China, and taking into account the Company's marketing plans in relation to enhancing the services that the Company seeks to continue providing for the Tmall Pharmaceutical and Healthcare e-Commerce Business.

The monetary cap of the Original Services Agreement for the period from its effective date of September 13, 2016 until March 31, 2017 was RMB60 million. For the period from the effective date of the Original Services Agreement till February 28, 2017, the aggregate service fees received by the Group under the Original Services Agreement was approximately RMB33.5 million. The effective period of the Original Services Agreement covers slightly over six months while the Services Agreement will cover a full financial year.

1.2 Information about the Company and Alibaba Health Technology (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 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.

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.

1.3 Information about the Tmall Entities

Zhejiang Tmall Network Co., Ltd* (浙江天貓網絡有限公司) is a company incorporated under the laws of the PRC and ultimately Controlled by Alibaba Holding, which is principally engaged in the operation of Tmall.

Zhejiang Tmall Technology Co., Ltd* (浙江天貓技術有限公司) is a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of Alibaba Holding, which is principally engaged in the provision of software and technology services for Tmall.

Tmall was launched by Alibaba Group in 2008 as an online platform featuring brands and retailers with each seller having a uniquely identifiable online storefront. Tmall caters to online and mobile consumers looking for branded products and a premium shopping experience. It is a trusted platform for consumers to buy both home grown and international branded products and products that are not available in traditional retail outlets. Brands and retailers operate their own stores on the Tmall platform with unique brand identities and look and feel, accompanied by full control over their own branding and merchandising. A large number of international and Chinese brands and retailers have established storefronts on Tmall.

Alibaba Group operates its China retail marketplaces comprising Taobao Marketplace, a mobile commerce destination, Tmall, a B2C platform, and Juhuasuan, a sales and marketing platform for flash sales where merchants can acquire new customers and raise brand awareness through special discounts and promotional events. Alibaba Group's China retail marketplaces had approximately 443 million annual active buyers in the 12 months ended December 31, 2016. In the month ended December 31, 2016, the various mobile apps that consumers use to access Alibaba Group's China retail marketplaces had approximately 493 million mobile MAUs.

1.4 Listing Rules implications

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 Agreement. Accordingly, they had abstained from voting on the board resolutions in connection with the continuing connected transaction under the Services Agreement. Other than the aforesaid Directors, no other Directors have a material interest in the transactions contemplated under the Services Agreement and are not requested to abstain from voting on the board resolutions approving the same.

Alibaba Holding is the ultimate majority shareholder of Tmall Technology and the Company, and Controls Tmall Network. The Tmall Entities are members of Alibaba Group. Accordingly, the Tmall Entities are also connected persons of the Group. It is expected that the highest of the applicable percentage ratios in respect of the Services Agreement will be more than 5%.

Accordingly, the transactions contemplated under the Services Agreement will constitute non-exempt continuing connected transactions and are subject to the applicable requirements under the Listing Rules, including the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The SGM will be convened by the Company at which the ordinary resolutions will be proposed to seek approval from the Independent Shareholders by way of poll for the Services Agreement and the continuing connected transactions contemplated thereunder. 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 at the SGM. Save as disclosed above, no other Shareholder is required to abstain from voting on the resolutions approving the Services Agreement and the continuing connected transactions contemplated thereunder.

1.5 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 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.

1.6 Reasons for and benefits of the Services Agreement

The Original Services Agreement was initially agreed among the parties against the backdrop of significant regulatory uncertainty in the PRC relating to B2C third party online platforms. This regulatory uncertainty remains with respect to the Relevant Categories. Since the Company and Alibaba Holding did not have sufficient visibility on when a licensing regime would be in place to allow for the transfer of the business covering the Relevant Categories, the services provided under the Original Services Agreement allowed the Group to deliver specialized, outsourced services to Tmall and its merchants in a manner that would drive significant growth for the underlying business.

The services provided under the Services Agreement remain within the existing skill set of the Group given that it has been developing its own website, mobile APP, O2O pharmacy business and cloud hospital. Particularly since Alibaba Holding's investment in the Company in 2014, Alibaba Health has developed its own expertise and relationships with a wide variety of key participants in the healthcare sector in China, beyond the healthcare products retailers whom Tmall serves.

During the term of the Original Services Agreement, the business has been growing steadily. The revenue attributable to the Original Services Agreement from its effective date to February 28, 2017 was approximately RMB33.5 million.

The Services Agreement is intended to continue the success of the Original Services Agreement. The service fees received under the Services Agreement will be one of the steady growing sources of revenue for Alibaba Health. Together with the rapid growth of Alibaba Health's self-operated B2C online pharmacy and *Ma Shang Fang Xin* tracking platform core businesses, as well as given the potential of such innovative new businesses as intelligent healthcare and health management services, Alibaba Health's revenue will show greater diversification going forward. The key terms of the Services Agreement are substantially the same as the Original Services Agreement except for the annual cap and the notice period for the termination right. There will continue to be sufficient safeguards to ensure that the controlling shareholder does not exercise undue control over the listed issuer through any artificial arrangements.

In view of the above, the Directors (including the Independent non-executive Directors) are of the view that the Services Agreement is entered into in the ordinary and usual course of business of the Group and is on normal commercial terms and its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

1.7 Despatch of circular

A circular containing, among other things: (i) further details of the Services Agreement; (ii) the advice and recommendations of the Independent Board Committee; (iii) the advice and recommendations of the Independent Financial Adviser; and (iv) notice of the SGM, will be despatched to the Shareholders on or before March 15, 2017 in accordance with the requirements of the Listing Rules.

2. WARNING

- 2.1 The commencement of the Services Agreement is subject to a number of conditions including but not limited to Independent Shareholders' approval, which may or may not be fulfilled. If Independent Shareholders' approval is not obtained, the Services Agreement will not become effective.

Shareholders and potential investors should exercise caution when they deal or contemplate dealing in the Shares or other securities of the Company.

3. DEFINITIONS

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

“Alibaba Group”	a group of companies comprising Alibaba Holding and its subsidiaries, but, 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), formerly known as Alibaba Health Technology (Beijing) Company Limited* (阿里健康科技(北京)有限公司), a limited liability company incorporated under the laws of the PRC and 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 depository shares of which are listed on the New York Stock Exchange
“Board”	the board of the Directors
“Company” or “Alibaba Health”	Alibaba Health Information Technology Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00241)
“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 Agreement, being the day following the date of the approval of the Services Agreement and continuing connected transactions contemplated thereunder by the Independent Shareholders at the SGM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising Mr. 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 Agreement and the continuing connected transactions contemplated thereunder
“Independent Financial Adviser” or “Sommerley Capital”	Sommerley 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 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 Holding Limited; and (ii) those who are required to abstain from voting at the SGM to be convened to approve the Services Agreement and the continuing connected transactions contemplated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Merchant”	a legal entity which conducts sale of products or provision of services on Tmall
“mobile MAUs”	the number of unique mobile devices that were used to visit or access certain of our mobile applications at least once in a given month
“Original Services Agreement”	the agreement entered into on August 24, 2016 between Alibaba Health Technology (China) and the Tmall Entities, pursuant to which Alibaba Health Technology (China) was engaged to provide certain outsourced and value-added services in connection with the Relevant Categories for a fee
“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 announcement, excluding Hong Kong, the Macao Special Administrative Region and Taiwan
“Relevant Categories”	certain product categories or services offered in the Tmall Pharmaceutical and Healthcare e-Commerce Business, namely over-the-counter drugs, refined Chinese medicines such as Chinese medicinal drinks, medical devices such as blood pressure monitors and glucose meters, contact lenses and solutions, sexual health and family planning products such as condoms and sex toys, prescription drugs and medical services such as packages for dental services, health check-up services, nutritional management and genetic testing etc., which, for the avoidance of doubt, excludes all categories of products or services sold on or through Tmall International

“Services Agreement”	the agreement entered into on March 10, 2017 between Alibaba Health Technology (China) and the Tmall Entities, pursuant to which Alibaba Health Technology (China) will be engaged to provide certain outsourced and value-added services in connection with the Relevant Categories for a fee
“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 Agreement and the continuing connected transactions contemplated thereunder
“Shareholder(s)”	holder(s) of the Share(s)
“Shares”	ordinary shares of par value HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the same meaning given to it under the Listing Rules
“Tmall”	a third party online platform for brands and retailers operated by Alibaba Group under the domain name 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), which, for the purpose of the Services Agreement, excludes Tmall International
“Tmall Entities”	Tmall Technology and Tmall Network, collectively
“Tmall International”	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 International, 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 International)

“Tmall Network”	Zhejiang Tmall Network Co., Ltd* (浙江天貓網絡有限公司), a company incorporated under the laws of the PRC and ultimately Controlled by Alibaba Holding
“Tmall Pharmaceutical and Healthcare e-Commerce Business”	the pharmaceutical and healthcare products and services e-commerce business of Tmall
“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.*

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

Hong Kong, March 10, 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. WONG King On, Samuel.