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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 TRANSACTIONS

The Board is pleased to announce that on May 19, 2017, Hongyun Jiukang, a subsidiary of the Company, entered into the Target Holdco Capital Increase Agreement with the Target Holdco, pursuant to which Hongyun Jiukang shall inject RMB291,176,470.59 in cash into the Target Holdco, of which RMB15,045,882 shall be contributed to the increase in its registered capital, and RMB276,130,588.59 shall be contributed to its capital reserve. Upon completion of the Target Holdco Capital Increase Agreement, the registered capital of the Target Holdco shall be increased to RMB100,305,882, and the Target Holdco shall be held as to 85% by the Existing Target Holdco Shareholders and 15% by Hongyun Jiukang.

On the same day, Hongyun Jiukang has also entered into the Target Subsidiary Capital Increase Agreement with the Target Subsidiary, pursuant to which Hongyun Jiukang shall inject RMB40,000,000 in cash to the Target Subsidiary, of which RMB36,654,545 shall be contributed to the increase in its registered capital, and RMB3,345,455 shall be contributed to its capital reserve. Upon completion of the Target Subsidiary Capital Increase Agreement, the registered capital of the Target Subsidiary shall be increased to RMB81,454,545, and the Target Subsidiary shall be held as to 55% by the Existing Target Subsidiary Shareholder and 45% by Hongyun Jiukang.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of each of the Target Holdco Capital Increase Agreement and the Target Subsidiary Capital Increase Agreement, on a standalone and an aggregated basis, exceed 5% but are all below 25%, the Capital Increase Agreements constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules.

Warning: The completion of the Capital Increase Agreements is subject to the satisfaction and/or waiver (where applicable) of conditions precedent. As the Capital Increase Agreements 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 TARGET HOLDCO CAPITAL INCREASE AGREEMENT

The Board is pleased to announce that on May 19, 2017, Hongyun Jiukang, a subsidiary of the Company, entered into the Target Holdco Capital Increase Agreement with the Target Holdco. The principal terms of the Target Holdco Capital Increase Agreement are set out as follows:

(1) Date

May 19, 2017

(2) Parties to the Target Holdco Capital Increase Agreement

- (i) the Target Holdco;
- (ii) the Existing Target Holdco Shareholders; and
- (iii) Hongyun Jiukang.

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

(3) Capital Contribution

As at the date of this announcement, the Existing Target Holdco Shareholders hold the entire registered capital of RMB85,260,000 in the Target Holdco. Pursuant to the Target Holdco Capital Increase Agreement:

- Hongyun Jiukang shall inject RMB291,176,470.59 in cash to the Target Holdco, of which RMB15,045,882 shall be contributed to the increase in the registered capital of the Target Holdco, and RMB276,130,588.59 shall be contributed to the capital reserve of the Target Holdco; and
- upon completion of the Target Holdco Capital Increase Agreement, the registered capital in the Target Holdco shall be increased by RMB15,045,882 to RMB100,305,882, and the Target Holdco shall be held as to 85% by the Existing Target Holdco Shareholders and 15% by Hongyun Jiukang.

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

(4) Consideration and Payment

The consideration for the Target Holdco Capital Increase Agreement is RMB291,176,470.59, of which 50% shall be payable by Hongyun Jiukang in immediately available cash to the designated account of the Target Holdco by telegraphic transfer on the Target Holdco Completion Date. The remaining 50% of the consideration shall be payable in immediately available cash by 30 June 2018 or the day

before the accounting reference date of the Target Holdco's audited financial statements as determined by the Target Holdco for the purpose of future listing disclosures, whichever is earlier.

The consideration for the Target Holdco Capital Increase Agreement was determined after arm's length negotiations among the parties to the Target Holdco Capital Increase Agreement with reference to the revenue and profit of the Target Group for the year ended December 31, 2016, the business prospects of both the Target Group and the industry of medical information system and medical devices as a whole, the prevailing multiples of revenue that determines the market price 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 funds internally generated by the Group and/or bank loans.

(5) Respective percentages of the registered capital of the Target Holdco held by the parties to the Target Holdco Capital Increase Agreement

Parties to the Target Holdco Capital Increase Agreement	Percentage of registered capital as at the date of this announcement	Percentage of total registered capital immediately after the Target Holdco Completion Date
(i) Founding Shareholders	39.0801%	33.2181%
(ii) Financial Investors	50.5264%	42.9475%
(iii) Employees' Shareholding Platform	10.3934%	8.8344%
(iv) Hongyun Jiukang	—	15.0000%
Total	100%	100%

(6) Management of the Target Holdco

In connection with the Target Holdco Capital Increase Agreement, the Target Holdco, the Existing Target Holdco Shareholders and Hongyun Jiukang, entered into a shareholders' agreement on May 19, 2017, pursuant to which they agreed that, among other things:

- the board of directors of the Target Holdco shall comprise of not more than 12 directors, of which at least four (4) directors shall be the independent directors;
- Hongyun Jiukang is entitled to nominate one (1) director to the board of directors of the Target Holdco upon completion of the Target Holdco Capital Increase Agreement, provided that it holds not less than 5% of the equity interest of the Target Holdco;

- matters relating to the Target Holdco that are reserved for approval by its shareholders shall be resolved by a simple majority of the votes cast at the shareholders' meetings, except for certain reserved matters, the vote of Hongyun Jiukang must be included in such simple majority of votes if it holds not less than 5% of the shareholding of the Target Holdco;
- the board of supervisors of the Target Holdco shall comprise three (3) supervisors, which shall include representatives of the shareholders and one (1) representative of the employees; and
- the Target Holdco shall be managed by one (1) manager to be appointed by the board of directors of the Target Holdco.

THE TARGET SUBSIDIARY CAPITAL INCREASE AGREEMENT

On the same day, Hongyun Jiukang has also entered into the Target Subsidiary Capital Increase Agreement with the Target Subsidiary. The principal terms of the Target Subsidiary Capital Increase Agreement are set out as follows:

(1) Date

May 19, 2017

(2) Parties to the Target Subsidiary Capital Increase Agreement

- (i) the Target Subsidiary;
- (ii) the Existing Target Subsidiary Shareholder;
- (iii) the Founding Shareholders; and
- (iv) Hongyun Jiukang.

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

(3) Conditions precedent in relation to the share purchase agreement entered into between a financial investor and the Existing Target Subsidiary Shareholder

As at the date of this announcement, the Target Subsidiary is held as to 89.29% by a financial investor and 10.71% by the Existing Target Subsidiary Shareholder. The completion of the Target Subsidiary Capital Increase Agreement shall be conditional to the completion of a purchase by the Existing Target Subsidiary Shareholder of the 89.29% of equity interests in the Target Subsidiary from such financial investor, such that immediately prior to the completion of the Target Subsidiary Capital Increase Agreement, the Target Subsidiary shall be held as to 100% by the Existing Target Subsidiary Shareholder and the Target Subsidiary shall become an indirect subsidiary of the Target Holdco.

Completion of the Target Subsidiary Capital Increase Agreement shall also be subject to the satisfaction or waiver of the conditions precedent including, among others, the completion of the Target Holdco Capital Increase Agreement.

(4) Capital Contribution

Immediately prior to the completion of the Target Subsidiary Capital Increase Agreement, the Existing Target Subsidiary Shareholder is expected to hold the entire registered capital of RMB44,800,000 in the Target Subsidiary. Pursuant to the Target Subsidiary Capital Increase Agreement:

- Hongyun Jiukang shall inject RMB40,000,000 in cash to the Target Subsidiary, of which RMB36,654,545 shall be contributed to the increase in the registered capital of the Target Subsidiary, and RMB3,345,455 shall be contributed to the capital reserve of the Target Subsidiary; and
- upon completion of the Target Subsidiary Capital Increase Agreement, the registered capital in the Target Subsidiary shall be increased by RMB36,654,545 to RMB81,454,545 and the Target Subsidiary shall be held as to 55% by the Existing Target Subsidiary Shareholder and 45% by Hongyun Jiukang.

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

(5) Consideration and Payment

The consideration for the Target Subsidiary Capital Increase Agreement is RMB40,000,000, which shall be payable by Hongyun Jiukang in full in immediately available cash to the designated account of the Target Subsidiary by telegraphic transfer on the Target Subsidiary Completion Date.

The consideration for the Target Subsidiary Capital Increase Agreement was determined after arm's length negotiations among the parties to the Target Subsidiary Capital Increase Agreement with reference to the business prospects of both the Target Subsidiary, the funding requirements of the Target Subsidiary to further its business development of mobile internet digitalised medical information software system; and the strategic value of the Target Subsidiary's business to the Group's business.

The consideration will be financed by funds internally generated by the Group and/or bank loans.

(6) Respective percentages of the registered capital of the Target Subsidiary held by the parties to the Target Subsidiary Capital Increase Agreement upon completion

Parties to the Target Subsidiary Capital Increase Agreement	Percentage of total registered capital as at the date of this Announcement	Percentage of total registered capital immediately after the Target Subsidiary Completion Date
(i) Existing Target Subsidiary Shareholder	10.71%	55%
(ii) A financial investor	89.29%	—
(iii) Hongyun Jiukang	—	45%
Total	100%	100%

(7) Management of the Target Subsidiary

In connection with the Target Subsidiary Capital Increase Agreement, the Target Subsidiary, the Existing Target Subsidiary Shareholder, the Founding Shareholders and Hongyun Jiukang entered into a shareholders' agreement on May 19, 2017, pursuant to which they agreed that, among other things:

- the board of directors of the Target Subsidiary shall comprise of three (3) directors and Hongyun Jiukang is entitled to nominate one (1) director to the board of directors of the Target Subsidiary upon completion of the Target Subsidiary Capital Increase Agreement, provided that it holds not less than 5% of the equity interests of the Target Subsidiary;
- matters relating to the Target Subsidiary that are reserved for approval by its shareholders shall be resolved by a simple majority of the votes cast at the shareholders' meetings, of which the vote of Hongyun Jiukang must be included if it holds not less than 5% of the shareholding of the Target Subsidiary;
- the Target Subsidiary shall have one (1) supervisor as nominated by the Existing Target Subsidiary Shareholder; and
- the Target Subsidiary shall be managed by one (1) manager to be appointed by the board of directors of the Target Subsidiary.

REASONS AND BENEFITS FOR THE TRANSACTION

The Company's mission is to build an online community where it will connect participants in the PRC healthcare market. To achieve such goal, the Group is, among other things, actively exploring the facilitation of telemedicine services, working to integrate medical services resources to offer personalized medical services to users, and building an Internet-based tiered medical services network supported by telemedicine services.

The major businesses of the Target Group and the Target Subsidiary involve the research and development, production and sale of, and services provision in relation to, clinical information software products, infant medical equipment, and mobile internet digitalised medical information software system. The proposed acquisition of equity stake in the Target Group and the Target Subsidiary represents an opportunity to promote business cooperation among the Group, the Target Group and the Target Subsidiary. Such strategic cooperation enables the Group to integrate additional medical services resources for its Internet-based tiered medical services network, and in turn, further its mission and provide more diversified revenue sources for the Group in the long run.

The Directors consider that the terms of the Capital Increase Agreements are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of each of the Target Holdco Capital Increase Agreement and the Target Subsidiary Capital Increase Agreement, on a standalone and an aggregated basis, exceed 5% but are all below 25%, the Capital Increase Agreements constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules.

INFORMATION ON THE TARGET HOLDCO

The Target Holdco was established in the PRC with an existing registered capital of RMB85,260,000. As at the date of this announcement, the Target Holdco is held as to 100% by the Existing Target Holdco Shareholders.

The Target Holdco is an investment holding company while its operating subsidiaries (including the Target Subsidiary) are primarily engaged in the research and development, production and sales of, and services provision in relation to clinical information software products and infant medical equipment. These products include, among others, electronic medical record services, hospital data integration platforms and infant respirators.

Based on the unaudited consolidated accounts of the Target Holdco prepared in accordance with the PRC accounting principles for the twelve months ended December 31, 2016, the consolidated net asset value of the Target Holdco was approximately RMB264.4 million. The consolidated net profit/loss (before and after taxation and extraordinary items) of the Target Holdco for the two financial years ended December 31, 2015 and 2016 were as follows:

	For the year ended	
	December 31	
	2016	2015
	Unaudited	Audited
	RMB'000	RMB'000
Net profit/(loss) before taxation and extraordinary items	29,266	30,565
Net profit/(loss) after taxation and extraordinary items	23,821	26,092

INFORMATION ON THE TARGET SUBSIDIARY

The Target Subsidiary was established in the PRC with an existing registered capital of RMB44,800,000. As at the date of this announcement, the Target Subsidiary is held as to 89.29% by a financial investor, which is an investment fund vehicle established in the PRC as a limited partnership and a third party independent of the Company and its connected person, and 10.71% by the Existing Target Subsidiary Shareholder.

The Target Subsidiary is currently focusing on the research and development, application and services of the mobile internet digitalised medical information software system and has not started recording revenue for the year ended 31 December 2016.

Based on the unaudited accounts of the Target Subsidiary prepared in accordance with the PRC accounting principles for the twelve months ended December 31, 2016, the net asset value of the Target Subsidiary was approximately RMB1.51 million. The net profit/loss (before and after taxation and extraordinary items) of the Target Subsidiary for the two financial years ended December 31, 2015 and 2016 were as follows:

	For the year ended	
	December 31	
	2016	2015
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit/(loss) before taxation and extraordinary items	(25,607)	(17,684)
Net profit/(loss) after taxation and extraordinary items	(25,607)	(17,684)

INFORMATION ON HONGYUN JIUKANG, THE COMPANY AND THE GROUP

The Company is an investment holding company. 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 pharmaceutical e-commerce, intelligent medicine business and the operation of product tracking platforms in the PRC.

Hongyun Jiukang is a limited liability company established in the PRC, with a registered capital of RMB1.0 million. It is an investment holding company indirectly controlled by the Company through contractual arrangements and accordingly a subsidiary of the Company.

INFORMATION ON THE EXISTING TARGET HOLDCO SHAREHOLDERS AND THE FOUNDING SHAREHOLDERS

Beijing Hemei Jiahe is a limited partnership established in the PRC and is the employees' shareholding platform of the Target Holdco.

Each of Beijing Linghang Dongli, Beijing Qiming, Citic, Ordos Qingke, Shanghai Qingke and Xinjiang Beichen is an investment fund vehicle established in the PRC as a limited partnership.

SAIF II Mauritius is an investment fund vehicle incorporated in Mauritius.

Digital China is a company established in the PRC which primarily engages in the distribution of consumer electronics and IT products for businesses.

Mr. Luo, Mr. Ren, Mr. Xia and Mr. Wang are PRC nationals.

INFORMATION ON THE EXISTING TARGET SUBSIDIARY SHAREHOLDER

The Existing Target Subsidiary Shareholder is a company established in the PRC which primarily engages in the research and development, production and services related to medical information software.

WARNING

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

DEFINITION

“Beijing Hemei Jiahe”	Beijing Hemei Jiahe Investment Management Center (Limited Partnership)* (北京和美嘉和投資管理中心(有限合夥)), a limited partnership established in the PRC
“Beijing Linghang Dongli”	Beijing Linghang Dongli Technology Investment Center (Limited Partnership)* (北京領航動力科技投資中心(有限合夥)), a limited partnership established in the PRC
“Beijing Qiming”	Beijing Qiming Innovation Venture Capital Investment Center (Limited Partnership)* (北京啟明創科創業投資中心(有限合夥)), a limited partnership established in the PRC
“Board”	the board of directors of the Company
“Capital Increase Agreements”	the Target Holdco Capital Increase Agreement and the Target Subsidiary Capital Increase Agreement
“Citic”	CITIC M&A Investment Fund (Shenzhen) Partnership Enterprise (Limited Partnership)* (中信併購投資基金(深圳)合夥企業(有限合夥)), a limited partnership established in the PRC
“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
“Digital China”	Digital China (China) Limited* (神州數碼(中國)有限公司), a company established in the PRC with limited liability
“Employees’ Shareholding Platform”	Beijing Hemei Jiahe, which is the employees’ shareholding platform of the Target Holdco

“Existing Target Holdco Shareholders”	Mr. Xia, SAIF II Mauritius, Digital China, Beijing Hemei Jiahe, Mr. Wang, Beijing Qiming, Citic, Mr. Ren, Mr. Luo, Beijing Linghang Dongli, Xinjiang Beichen, Shanghai Qingke and Ordos Qingke, altogether hold 100% of the Target Holdco currently
“Existing Target Subsidiary Shareholder”	Beijing Jiahe Meikang Information Technology Co., Ltd* (北京嘉和美康信息技術有限公司), which holds 10.71% of the Target Subsidiary as at the date of this announcement and will hold 100% of the Target Subsidiary immediately prior to the completion of the Target Subsidiary Capital Increase Agreement
“Financial Investors”	SAIF II Mauritius, Digital China, Beijing Qiming, Citic, Mr. Luo, Beijing Linghang Dongli, Xinjiang Beichen, Shanghai Qingke and Ordos Qingke
“Founding Shareholders”	Mr. Xia, Mr. Wang and Mr. Ren
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hongyun Jiukang”	Hongyun Jiukang Data Technology (Beijing) Company Limited* (弘云久康數據技術(北京)有限公司), a company established in the PRC with limited liability and a subsidiary of the Company
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Luo”	Luo Lin (羅林)
“Mr. Ren”	Ren Yong (任勇)
“Mr. Wang”	Wang Qing (王清)
“Mr. Xia”	Xia Jun (夏軍)
“Ordos Qingke”	Ordos Qingke Lanhai Equity Investment Management Centre (Limited Partnership)* (鄂爾多斯市清科瀾海股權投資管理中心(有限合夥)), a limited partnership established in the PRC
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SAIF II Mauritius”	SAIF II Mauritius (China Investment) Limited, a company incorporated in the Mauritius with limited liability
“Shanghai Qingke”	Shanghai Qingke Gongchuang Investment Partnership Enterprise (Limited Partnership)* (上海清科共創投資合夥企業(有限合夥)), a limited partnership established in 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in the Listing Rules
“Target Group”	the Target Holdco and its subsidiaries
“Target Holdco”	Jiahe Meikang (Beijing) Technology Co., Ltd* (嘉和美康(北京)科技股份有限公司), a joint stock limited company established in the PRC with limited liability
“Target Holdco Capital Increase Agreement”	the capital increase agreement dated May 19, 2017 entered into by the Target Holdco, the Existing Target Holdco Shareholders and Hongyun Jiukang
“Target Holdco Completion Date”	the date of completion of the Target Holdco Capital Increase Agreement, which shall take place on the fifth business day after the satisfaction and/or waiver (where applicable) of the conditions precedent, or on such other date the parties to the Target Holdco Capital Increase Agreements may otherwise agree in writing
“Target Subsidiary”	Beijing Jiamei Online Technology Co., Ltd* (北京嘉美在線科技有限公司), a company established in the PRC with limited liability
“Target Subsidiary Capital Increase Agreement”	the capital increase agreement dated May 19, 2017 entered into by the Target Subsidiary, the Existing Target Subsidiary Shareholder, the Founding Shareholders and Hongyun Jiukang
“Target Subsidiary Completion Date”	the date of completion of the Target Subsidiary Capital Increase Agreements, which shall take place on the fifth business day after the satisfaction and/or waiver (where applicable) of the conditions precedent, or on such other date the parties to the Target Subsidiary Capital Increase Agreements may otherwise agree in writing
“Xinjiang Beichen”	Xinjiang Beichen Dexin Equity Investment Limited Partnership Enterprise* (新疆北辰德信股權投資有限合夥企業), a limited partnership established in the PRC
“%”	per cent.

* For identification purpose only

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

Hong Kong, May 19, 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.