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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)

SUPPLEMENTAL ANNOUNCEMENT — CONTINUING CONNECTED TRANSACTIONS — SUPPLY FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated October 15, 2017 in relation to the Supply Framework Agreement (the “**Announcement**”). Unless otherwise defined, all capitalised terms used in this announcement shall have the same meanings as defined in the Announcement.

The Company wishes to provide the following additional information in relation to the continuing connected transactions under the Supply Framework Agreement.

PRICING POLICY

Under the Supply Framework Agreement, the supply price of products supplied shall be agreed by the parties before the placing of orders in accordance with the standard agreements entered into between the Group and Alibaba Group from time to time. The price of the products supplied to Alibaba Group will be determined with reference to a standard pricing guideline that is applicable to all of the Group’s customers (including Alibaba Group and independent third parties). Such standard pricing guideline provides for the parameters and variance for supply price determination, which includes any applicable discounts or premiums based on the size of orders, nature of distribution channels, coverage of localities or consumer segments, etc. The Group will regularly review and update the standard pricing guideline with reference to the costs of the products, the wholesale prices offered by other suppliers and the retail prices of comparable products sold in comparable localities, as well as the strategic value of enhanced marketing or promotion through specific distribution channels or to consumers of specific segments or localities.

As disclosed in the Announcement, the Company has undertaken to ensure that the price of products supplied to Alibaba Group shall not be higher than that offered to other third parties under the same terms during the same period of time (the “**Undertaking**”). These terms include the quantity of each order, the localities of the targeted consumers, etc. Notwithstanding the Undertaking, our standard pricing guideline also dictates that the price of products supplied to Alibaba Group will not be lower than the lowest price offered to independent third parties under the same terms during the same period of time.

Alibaba Group has launched various distribution channels and platforms that target consumers of a broader spectrum of localities and segments, some of which have higher market penetration and/or strategic business value than those currently offered to the Group by its other distribution partners. By cooperating with and leveraging on such broader spectrum of distribution channels, platforms and consumer reach of Alibaba Group, the Group sees invaluable business opportunities and growth prospects for its healthcare and pharmaceutical e-commerce businesses to enter into new and sizable markets for the distribution of its products. Accordingly, the Board is of the view that the terms of the Supply Framework Agreement, including the Undertaking, represent normal commercial terms and are in the interests of the Company and its shareholders as a whole.

ASSESSMENT OF COMPLIANCE WITH THE STANDARD PRICING GUIDELINE AND INTERNAL CONTROL MEASURES

The Company’s operating and finance teams monitor the price and terms of the supply of products supplied to all customers including Alibaba Group and independent third parties on the Group’s order system at the time the relevant purchase order is placed to ensure adherence to its standard pricing guideline, including to ensure compliance with the Undertaking.

Furthermore, the Company has internal control measures in place to ensure that the pricing terms are on normal commercial terms and are fair and reasonable to the Company and its shareholders as a whole, including (i) the Company’s operating and finance teams will prepare reports on prices and terms of products supplied to Alibaba Group and the status of compliance with the standard pricing guideline on a monthly basis for review by the management of the Group; and (ii) the independent non-executive Directors will, and the Company will also engage its external auditors to, conduct annual review of the continuing connected transactions of the Company in accordance with the Listing Rules requirements.

The Directors (including the independent non-executive Directors) are of the view that the Supply Framework Agreement (including the Undertaking) and the transactions contemplated thereunder are 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.

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

Hong Kong, October 27, 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.