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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)

(1) DISCLOSEABLE AND CONNECTED TRANSACTION AND (2) CONTINUING CONNECTED TRANSACTIONS

THE PROPOSED ACQUISITION

The Board is pleased to announce that on May 18, 2017, the Company entered into the Share Purchase Agreement with Ali JK Nutritional Products Holding Limited, a direct wholly-owned Subsidiary of Alibaba Holding, pursuant to which the Company will acquire a 100% equity interest in Ali JK Nutritional Products Limited, an offshore holding vehicle incorporated under the laws of the British Virgin Islands by the Vendor to hold the Target Business. The aggregate Consideration is HK\$3,800,000,000 and will be satisfied by the Company issuing 1,187,500,000 Consideration Shares to the Vendor at Completion.

Completion is conditional upon, among other things:

- the passing by the Independent Shareholders of the resolutions to approve the Proposed Acquisition and the non-exempt continuing connected transactions by the members of the Group as contemplated under the Framework Technical Services Agreement;
- the approval of the Stock Exchange being granted for the listing of, and permission to deal in, the Consideration Shares; and
- the completion of the Business Restructuring as further described below.

THE TARGET BUSINESS

The Target Business comprises (i) all Merchant relationships with the Target Merchants for the promotion and distribution of Target Products on Tmall.com and (ii) certain relevant marketing and operations personnel managing the relationships with the Target Merchants.

“Target Products” are defined as the Blue Cap Health Food products sold on Tmall.com, except for the Excluded Products. Blue Cap Health Food products are food products that are registered (“註冊”) or filed (“備案”), from time to time, with the CFDA as “health food” (“保健食品”) in accordance with the Health Food Registration and Filing Administrative Rules (“《保健食品註冊與備案管理辦法》”) and Food Safety Law of the PRC (“《中華人民共和國食品安全法》”) (as such laws and regulations may be amended from time to time) and have obtained a health food (“Blue Cap”) (“藍帽子”) label with a unique registration or filing tracking number from the CFDA. “Excluded Products” are:

- any medicated liquor sold under the secondary category “health food alcohol” (“保健食品酒”) under the primary category “alcohol” (“酒類”);
- any energy drinks sold under the secondary category “drinks” (“飲料”) under the primary category “coffee/oatmeal/instant drinks” (“咖啡／麥片／沖飲”);
- any maternity health food sold under the secondary category “maternity nutritional products” (“孕產婦營養品”) under the primary category “maternity wear/maternity products/nutritional products” (“孕產裝／孕產婦用品／營養品”); and
- any infant and toddler health food sold under the secondary category “infant and toddler nutritional products” (“嬰幼兒營養品”) under the primary category “milk powder/supplemental food/nutritional products/snacks” (“奶粉／輔食／營養品／零食”),

on Tmall.com.

THE FRAMEWORK TECHNICAL SERVICES AGREEMENT

The Tmall Entities and the WFOE entered into the Framework Technical Services Agreement on May 18, 2017. Pursuant to the Framework Technical Services Agreement, the Tmall Entities will provide infrastructure technical support for the operation of Tmall.com to the WFOE for the Tmall Software Service Fee. Subject to the approval of the Proposed Acquisition and the Framework Technical Services Agreement by the Independent Shareholders at the SGM, the term of the Framework Technical Services Agreement will commence on the day following Completion and end on March 31, 2020, unless otherwise mutually agreed between the parties.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Share Purchase Agreement (including the alternative size test referred to in Rule 14.20) exceed 5% but are below 25%, the Share Purchase Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As the Vendor is a connected person of the Company, the Proposed Acquisition also constitutes a connected transaction of the Company and is subject to the approval of the Independent Shareholders at the SGM.

Warning: The Company will despatch a circular on or before June 12, 2017 in accordance with the requirements under the Listing Rules. The circular will contain, among other things, further details of the Proposed Acquisition and related agreements, a letter of advice from the Independent Financial Adviser to the Independent Board Committee of the Company and the Independent Shareholders in relation to the Proposed Acquisition and the Framework Technical Services Agreement.

The completion of the Proposed Acquisition and commencement of the Framework Technical Services Agreement are subject to the satisfaction and/or waiver (where applicable) of conditions precedent as set out in the Share Purchase Agreement including but not limited to Independent Shareholders' approval, which may or may not be fulfilled. The Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

INTRODUCTION

We refer to:

- the announcement of the Company dated April 1, 2016 in which the Company announced, among other things, that the Company and Alibaba Holding were actively discussing the possibility of injecting a substantial segment of health food products/ dietary supplements and traditional nutritional products business from Alibaba Holding into the Company; and
- the circular of the Company dated March 14, 2017 in which the Company announced, among other things, that it continued to actively pursue the potential acquisition of the relationships with merchants selling certain health food products on Tmall.com.

The Board is pleased to announce that on May 18, 2017, the Company and the Vendor entered into the Share Purchase Agreement pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, at Completion, the entire issued share capital of the Target Company in consideration for the issue of the Consideration Shares by the Company to the Vendor. On the same day, the Tmall Entities and the WFOE entered into the Framework Technical Services Agreement.

The principal terms of the Share Purchase Agreement are set out as follows.

THE SHARE PURCHASE AGREEMENT

(1) Date

May 18, 2017

(2) Parties

- (a) The Company as the purchaser; and
- (b) Ali JK Nutritional Products Holding Limited as the vendor.

The Vendor is a direct wholly-owned Subsidiary of Alibaba Holding, the ultimate majority shareholder of the Company. Accordingly, the Vendor is a connected person of the Group and the transaction contemplated under the Share Purchase Agreement will constitute a connected transaction under the Listing Rules.

(3) The Proposed Acquisition

Pursuant to the Share Purchase Agreement, the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the entire issued share capital in the Target Company.

The Target Company is an offshore holding vehicle which is an indirect wholly-owned Subsidiary of Alibaba Holding. The Target Company, through the WFOE, will hold (i) the ownership of all Merchant relationships with the Target Merchants for the sales of Target Products on Tmall.com and (ii) the employment relationships with the relevant marketing and operations personnel managing the relationships with the Target Merchants.

“Target Products” are defined as the Blue Cap Health Food products sold on Tmall.com, except for the Excluded Products. Blue Cap Health Food products are food products that are registered (“註冊”) or filed (“備案”), from time to time, with the CFDA as “health food” (“保健食品”) in accordance with the Health Food Registration and Filing Administrative Rules (《保健食品註冊與備案管理辦法》) and the Food Safety Law of the PRC (《中華人民共和國食品安全法》) (as such laws and regulations may be amended from time to time) and have obtained a health food (“Blue Cap”) (“藍帽子”) label with a unique registration or filing tracking number from the CFDA.

“Excluded Products” are:

- any medicated liquor sold under the secondary category “health food alcohol” (“保健食品酒”) under the primary category “alcohol” (“酒類”);
- any energy drinks sold under the secondary category “drinks” (“飲料”) under the primary category “coffee/oatmeal/instant drinks” (“咖啡／麥片／沖飲”);
- any maternity health food sold under the secondary category “maternity nutritional products” (“孕產婦營養品”) under the primary category “maternity wear/maternity products/nutritional products” (“孕產裝／孕產婦用品／營養品”); and
- any infant and toddler health food sold under the secondary category “infant and toddler nutritional products” (“嬰幼兒營養品”) under the primary category “milk powder/supplemental food/nutritional products/snacks” (“奶粉／輔食／營養品／零食”),

on Tmall.com.

Upon Completion, the Target Company will become a direct wholly-owned Subsidiary of the Company, and the financial results of the Target Group will be consolidated into the Group’s accounts.

(4) The Consideration

The Consideration for the Share Purchase Agreement is HK\$3,800,000,000 which was determined after arm’s length negotiations between the Company and the Vendor. The Consideration will be satisfied by the Company issuing 1,187,500,000 Consideration Shares to the Vendor. The Issue Price will be HK\$3.20 per Consideration Share, subject to proportional adjustments in the event of a share split, share combination, share dividend or similar events with respect to the capital of the Company prior to Completion.

For a period of 18 months from Completion, the Vendor has agreed that it will not dispose of, enter into any agreement to dispose of or otherwise create any options, rights, interests or other third party rights in respect of the Consideration Shares issued to it without the Company's prior written consent. However, the Company's prior written consent will not be required where the person to whom any of the Consideration Shares issued to the Vendor are transferred also undertakes to (a) bear a pro rata portion of any liabilities of the Vendor for breach of its warranties under the Share Purchase Agreement and (b) be subject to this restriction in respect of any subsequent transfer by such transferee.

The Consideration Shares represent approximately 14.49% of the issued share capital of the Company as at the date of this announcement and approximately 12.66% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. Based on the current shareholding structure of the Company, the Company will continue to be able to satisfy the public float requirement under the Listing Rules following issue of the Consideration Shares.

Alibaba Holding established and grew the Target Business, and did not acquire it from a third party, so there is no original acquisition cost of the Target Business. The Consideration was arrived at after arm's length negotiations between the Company and the Vendor, taking into account various factors, including:

- (a) the financial performance, market position and gross merchandise value of the Target Business;
- (b) the growth potential in the gross merchandise value of the Target Business;
- (c) the strategic value and industry and operational expertise of the Target Business; and
- (d) the value to the Company of the Deed of Non-competition, which will result in the Company having an exclusive relationship with the Target Merchants for the sale of Target Products on Tmall.com.

(5) The Issue Price

The Issue Price represents:

- (a) a discount of approximately 6.16% to the closing price of the Shares of HK\$3.410 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 3.95% to the average VWAP for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$3.332 per Share;
- (c) a discount of approximately 0.28% to the average VWAP for the ten consecutive trading days up to and including the Last Trading Day of approximately HK\$3.209 per Share;

- (d) a premium of approximately 1.47% to the average VWAP for the fifteen consecutive trading days up to and including the Last Trading Day of approximately HK\$3.154 per Share;
- (e) a premium of approximately 1.83% to the average VWAP for the twenty consecutive trading days up to and including the Last Trading Day of approximately HK\$3.142 per Share; and
- (f) a discount of approximately 0.18% to the average VWAP for the thirty consecutive trading days up to and including the Last Trading Day of approximately HK\$3.206 per Share.

The Issue Price was arrived at after arm's length negotiations between the Company and the Vendor, taking into account various factors, including:

- (a) the share price performance of the Company in the thirty trading days prior to the Last Trading Day; and
- (b) application of an appropriate discount for a substantial placing such as the one contemplated under the Share Purchase Agreement,

as well as the factors described above.

(6) Completion and conditions precedent

Completion will take place on the Business Day immediately following the satisfaction or waiver of certain conditions precedent including:

- (a) the passing by the Independent Shareholders at a duly convened Shareholders' meeting of the Company of resolutions approving the Proposed Acquisition, including but not limited to, the issue of the Consideration Shares pursuant to the Share Purchase Agreement, the increase of the authorized share capital of the Company from 10,000,000,000 ordinary shares of HK\$0.01 each to 15,000,000,000 ordinary shares of HK\$0.01 each and the non-exempt continuing connected transactions by the members of the Group as contemplated under the Framework Technical Services Agreement;
- (b) the granting of the approval of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares;
- (c) the completion of the business restructuring as set out in a detailed plan agreed among the parties ("Business Restructuring") including the assignment to the WFOE of the relationships with either (i) at least 761 Existing Target Merchants or (ii) such number of the Existing Target Merchants that collectively had at least RMB2,217 million in GMV for the financial year ended March 31, 2017;

- (d) the Vendor and/or its related companies having obtained all necessary consents and approvals from the relevant governmental or regulatory authorities or other third parties required for the transactions contemplated by the Business Restructuring and the execution and performance by the Vendor of the Share Purchase Agreement and the Proposed Acquisition;
- (e) the Company having obtained all necessary consents and approvals from the relevant governmental or regulatory authorities or other third parties required for the execution and performance by the Company of the Share Purchase Agreement and the Proposed Acquisition; and
- (f) no governmental authority in any relevant jurisdiction having enacted any laws, rules or regulations which might render Completion or the Business Restructuring or any part thereof unlawful.

The Company is entitled in its absolute discretion, by written notice to the Vendor, to waive the conditions precedent set out in paragraphs (c) and (d) above, either in whole or in part. The right of the Company to waive such conditions precedent provides the Company with the flexibility to allow the Proposed Acquisition to proceed if the Business Restructuring is implemented with minor deviations from the agreed plan.

The Vendor is entitled in its absolute discretion, by written notice to the Company, to waive the condition precedent set out in paragraph (e) above, either in whole or in part.

If any of the conditions precedent set out above has not been fulfilled (or waived) on or before July 31, 2017, or such later date as may be agreed in writing between the Company and the Vendor, the Share Purchase Agreement shall automatically terminate with immediate effect pursuant to its terms.

(7) Business Restructuring

For each Existing Target Merchant, the Vendor has agreed to use all reasonable endeavors to procure the relevant parties to, as soon as reasonably practicable, to the extent applicable, enter into a Tripartite Agreement among such Existing Target Merchant, the WFOE and the Tmall Entities (“Merchant Assignment”).

(8) Transition Period

If the Merchant Assignment of any Existing Target Merchant has not been completed as of Completion (such Target Merchant, the “Non-assigned Target Merchant”), the Vendor shall continue to use reasonable endeavors to complete such Merchant Assignment as soon as reasonably practicable. For each of the Non-assigned Target Merchants, the Vendor shall, promptly after the Transition Period, pay or cause to be paid to the Company 50% of the software service fees actually received by the Tmall Entities (after all discounts, rebates and other incentives) from such Non-assigned Target Merchant in respect of the sale of Target Products by such Non-assigned Target Merchant on Tmall.com during the Transition Period.

The Transition Period commences on the date of Completion and ends on the earliest of (i) completion of the Merchant Assignment of the Non-assigned Target Merchant, (ii) the termination or expiration of the Existing Target Merchant Contract, and (iii) December 31, 2017.

THE PROPOSED DEED OF NON-COMPETITION

To ensure that there is no competition between the business of the Group and the business of Alibaba Group (excluding the Group) with respect to the sales of Target Products, the parties have agreed on the form of the Deed of Non-competition which is to be entered into between the Company and Alibaba Holding on or before Completion.

The Deed of Non-competition provides that, other than the Permitted Scope, Alibaba Holding will not, and will procure that its Affiliates (excluding the Group) will not, directly or indirectly, alone or jointly with another person, in any form, engage in, assist or support a third party in the operation of, or participate or have any interest in, the business enabling or permitting the sales of Target Products on Tmall.com (“Restricted Business”) during the Non-competition Period.

The Non-competition Period commences on Completion and ends on the earliest of:

- (a) the Shares ceasing to be listed on the Stock Exchange;
- (b) Alibaba Holding ceasing to beneficially own an aggregate of 30% or more of the voting securities of the Company; and
- (c) Alibaba Holding no longer being the single largest Shareholder of the Company (aggregated with the Shares beneficially owned by persons acting in concert with Alibaba Holding).

The Permitted Scope includes:

- (a) the conduct of Restricted Business pursuant to any then-effective Existing Target Merchant Contracts until the earlier of (i) the expiration of such Existing Target Merchant Contract in accordance with its terms and (ii) December 31, 2017;
- (b) entering into the Tripartite Agreements and conducting activities pursuant to the terms thereunder;
- (c) the conduct of business activities pursuant to the terms of the Framework Technical Services Agreement, including the collection of the Tmall Software Service Fees thereunder; and
- (d) any business with the Company’s prior written consent.

Under the Deed of Non-competition, Alibaba Holding undertakes, during the Non-competition Period, to cause its applicable Affiliates to (i) require that the Target Merchants list Target Products for sale on Tmall.com solely under the Health Food Product Categories (“保健食品類目”) (as such term is defined in the Framework Technical Services Agreement), and (ii) use reasonable efforts to identify and remove from listing on Tmall.com any Target Product that is listed contrary to the requirement in (i) above.

Alibaba Holding also undertakes, during the Non-competition Period, to ensure that any new business opportunities that it or its Affiliates (excluding the Group) identify, or are offered, which fall within the scope of the Restricted Business, are offered to the Company. Such new business opportunities will not be taken up by Alibaba Holding or its Affiliates (excluding the Group).

THE FRAMEWORK TECHNICAL SERVICES AGREEMENT

Before the Proposed Acquisition, the Tmall Entities incurred costs to service the Target Merchants and provide the technical services and platform where they sold Target Products. Following Completion, while the WFOE will provide Blue Cap Health Food e-commerce platform maintenance related software services to the Target Merchants, the Tmall Entities, as the owner of Tmall.com, will continue to provide access to its e-commerce platform to the Target Merchants and incur operating costs for the provision of the technical services and the platform. The Tmall Entities and the WFOE entered into the Framework Technical Services Agreement on May 18, 2017 to set out the terms of services to be provided by the Tmall Entities and the relevant Tmall Software Service Fees.

The transactions contemplated under the Framework Technical Services Agreement constitute non-exempt continuing connected transactions for the Company under the Listing Rules. The principal terms of the Framework Technical Services Agreement are set out as follows.

(1) Date

May 18, 2017

(2) Parties

- (a) the WFOE; and
- (b) the Tmall Entities.

(3) Term and termination

Subject to the approval of the Proposed Acquisition and the Framework Technical Services Agreement by the Independent Shareholders at the SGM, the term of the Framework Technical Services Agreement will commence on the day following Completion and end on March 31, 2020, unless otherwise mutually agreed between the parties. The parties will determine whether to renew the Framework Technical Services Agreement 60 days before it expires.

(4) Services to be provided

Pursuant to the terms of the Framework Technical Services Agreement, after Completion, the Tmall Entities will continue to provide infrastructure technical support for the operation of Tmall.com, including the following services:

- (a) Technical support: The Tmall Entities will provide infrastructure technical support to the WFOE or the Target Merchants as requested by the WFOE for the Tmall Software Service Fee. The infrastructure technical support includes product information display and search services on Tmall.com and related software technology services;
- (b) Internet information services and secondary domain names: As the platform provider and operator, the Tmall Entities will provide Tmall.com and the secondary domain names to the Target Merchants for free as a platform for the Target Merchant's operation of business; and
- (c) Other services: The Tmall Entities may provide the Target Merchants with additional services including but not limited to marketing services and Merchant customer services. The Tmall Entities will not charge the WFOE for those services unless the WFOE requests such services where the parties will agree on a separate service fee.

From time to time the Tmall Entities may organize platform-wide promotional events in which they coordinate with the Merchants on Tmall.com, including the Target Merchants through the Company, to offer discounts to consumers over a period of time and implement a number of customer loyalty programs to encourage repeat shopping.

(5) Tmall Software Service Fee and annual caps

The WFOE shall pay the Tmall Software Service Fees to the Tmall Entities equal to 50% of the WFOE Software Service Fees received by the WFOE from the Target Merchants for transactions selling Target Products on Tmall.com and utilizing services provided by the Tmall Entities. The WFOE Software Service Fees are up to 3% of the value of completed sales of Target Products sold on Tmall.com and will be deducted from the receivables of the relevant Target Merchant and paid to the WFOE after a customer confirms the receipt of the products he or she purchases. The vice president of the finance department of the Company will cross-check the amount of the Tmall Software Service Fees being paid to the Tmall Entities on a monthly basis to ensure the accuracy of the amount.

The Tmall Software Service Fees shall be settled in cash on a monthly basis. The Tmall Software Service Fee is determined by reference to, among other things, the operating costs expected to be incurred by the Tmall Entities in providing the services including staff costs and technical support expenses.

The proposed monetary caps in respect of the fees payable to the Tmall Entities under the Framework Technical Services Agreement are RMB40 million, RMB65 million and RMB85 million for each of the financial years ending March 31, 2018, 2019 and 2020, respectively.

The proposed monetary caps for the applicable period in respect of the Framework Technical Services Agreement were arrived at after considering the historical revenue of Tmall.com attributable to the Target Business for recent financial years, the projected revenue of Tmall.com for the Target Business, the Company's own projections for the Target Business based on projections for the growth of the overall healthcare market in China and the Company's marketing plans for enhancing the services that the Company seeks to provide to the Target Merchants.

(6) Internal controls relating to the implementation of the monetary caps

The Company has internal controls in place to monitor the implementation of the monetary caps, including a written policy which sets out the proper steps for escalating information regarding the usage of the proposed annual caps from the operating team to the executive officers, including monthly reports to the Company's chief executive officer, chief financial officer and general counsel and then to the independent non-executive directors where required. The Company's operating team will have day-to-day interaction with the Target Merchants and will be able to closely monitor applicable GMV on a weekly basis. The Framework Technical Services Agreement includes a customary provision pursuant to which the Tmall Entities agree to allow the Company and its auditors access to information necessary to report on the non-exempt continuing connected transactions.

(7) The Tripartite Agreements

In order to open a storefront on Tmall.com, each of the Target Merchants has accepted the terms of an Existing Target Merchant Contract. As part of the Business Restructuring, the Vendor has agreed to use all reasonable endeavors to procure each of the Target Merchants and the Tmall Entities to enter into a Tripartite Agreement with the WFOE. The Tripartite Agreements are ancillary implementation agreements to the Framework Technical Services Agreement.

The parties to the Framework Technical Services Agreement have agreed on the form of the Tripartite Agreements which is a supplemental agreement to the Existing Target Merchant Contract with respect to Target Products.

Pursuant to the terms of the Tripartite Agreements, the WFOE will provide Blue Cap Health Food e-commerce platform maintenance related software services to the Target Merchants for a fee. Those services involve the: (i) Merchants admission system; (ii) product quality control system; and (iii) Merchants operational and maintenance services system. They include:

- tracking market trends and policy updates and updating Merchants on material policy updates;

- merchant business operation and management, including handling certain matters relating to signing and renewal of tripartite agreements with the Target Merchants and the Tmall Entities, reviewing product information and images displayed by Merchants, reviewing the documents required for Merchants' admission, formulating and implementing quality control rules and conducting regular inspections;
- 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;
- 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; and
- 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).

The Tmall Entities will provide the Target Merchants with: (i) information display services on the platform and Merchant's storefronts; (ii) software technology services in respect of the credit points system on Tmall.com; and (iii) the secondary domain names for the Target Merchants. The Merchants can seek general customer service support from the Tmall Entities, for instance, in relation to technical issues encountered on Tmall.com.

APPLICATION FOR LISTING OF THE CONSIDERATION SHARES

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares to be allotted and issued pursuant to the Share Purchase Agreement.

EFFECT OF THE PROPOSED ACQUISITION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company: (i) as at the date of this announcement; and (ii) immediately after Completion (assuming there is no change in the issued share capital of the Company other than the issue of the Consideration Shares between the date of the Share Purchase Agreement and Completion).

	As at the date of this announcement		Immediately after Completion	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Perfect Advance	4,420,628,008	53.96	4,420,628,008	47.13
Ali JK Nutritional Products Holding Limited	0	0.00	1,187,500,000	12.66
Directors of Alibaba Health	1,904,000	0.02	1,904,000	0.02
Other shareholders	<u>3,770,204,910</u>	<u>46.02</u>	<u>3,770,204,910</u>	<u>40.19</u>
Total	<u>8,192,736,918</u>	<u>100.00</u>	<u>9,380,236,918</u>	<u>100.00</u>

INFORMATION ON THE TARGET GROUP AND THE TARGET BUSINESS

The Target Company is an offshore holding vehicle incorporated in the British Virgin Islands and an indirect wholly-owned Subsidiary of Alibaba Holding. The Target Company, through the WFOE, will hold the Target Business after the Business Restructuring.

The Target Business comprises (i) all Merchant relationships with the Target Merchants for the sales of Target Products on Tmall.com and (ii) certain marketing and operations personnel managing the relationships with the Target Merchants. The Target Business generated a GMV of approximately RMB2,772 million and had approximately 11.81 million annual active buyers for the financial year ended March 31, 2017. As of March 31, 2017, the Target Business had more than 950 Target Merchants authorized by the Tmall Entities to sell Target Products on Tmall.com.

Based on the unaudited financial information of the Target Business prepared in accordance with HKFRS as of March 31, 2017, the net asset value of the Target Business was nil. Set out below is the key unaudited financial information of the Target Business for each of the financial years ended March 31, 2016 and 2017.

	For the year ended	
	March 31,	
	2016	2017
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	56,329	62,276
Gross profit ^(*)	24,036	26,881
Profit before taxation ^(*)	21,281	24,366
Net profit ^(*)	18,620	21,159

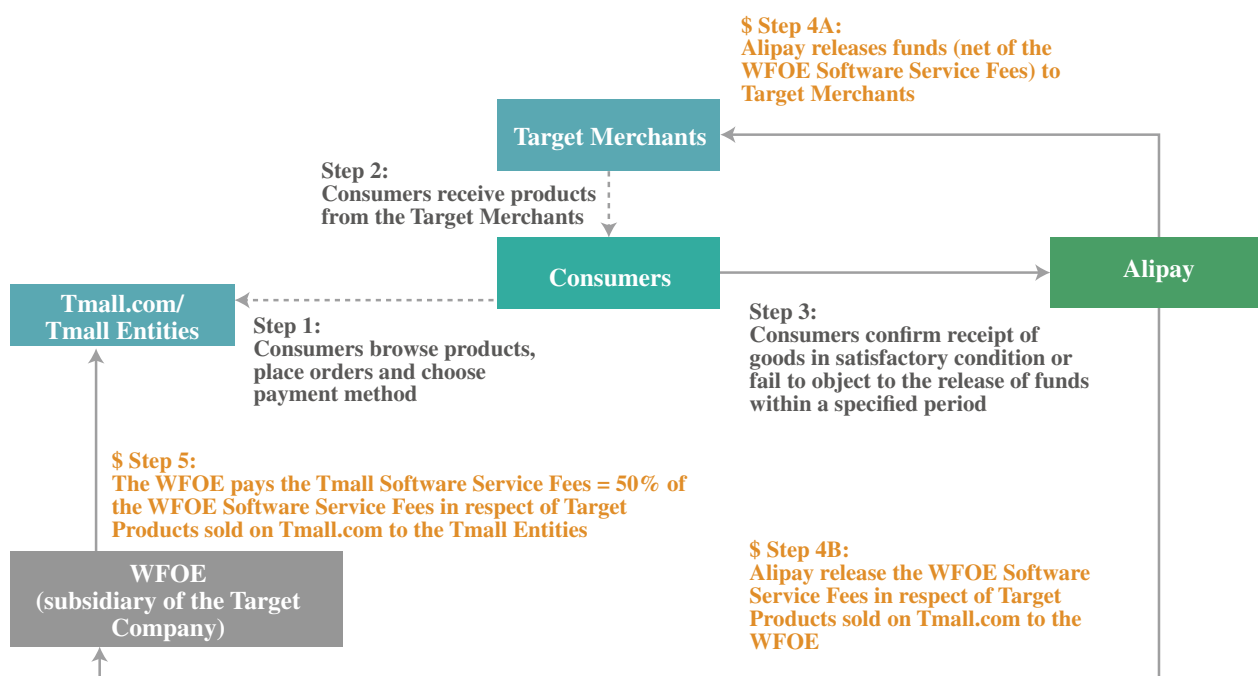
* The gross profit, profit before taxation and net profit are adjusted on the assumption that the Framework Technical Services Agreement was in effect from April 1, 2015. The adjustments include (i) 50% of the WFOE Software Service Fees received from the Merchants that would have been paid to the Tmall Entities; (ii) expenses originally accounted for by the Target Business namely marketing and customer acquisition expenses, traffic acquisition costs, co-location and bandwidth costs, other costs of service, depreciation recharges and reallocation expenses were excluded; and (iii) sales taxes and surcharges and income tax expense were recalculated based on adjusted financial information with applicable tax rate.

By acquiring the Target Business, the Company intends to provide value-added services to the Target Merchants after Completion to deliver more healthcare-focused solutions to the Target Merchants and improve their user experience as it has been the intention to develop the Company into the healthcare flagship of Alibaba Group. Those value-added services will include:

- tracking market trends and policy updates and updating Merchants on material policy updates. For example, the WFOE 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;
- 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 analyzing 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;

- 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; and
- 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).

Set out below is a chart illustrating the operation model of the Target Business after the Completion.



INFORMATION ON THE COMPANY

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 pharmaceutical e-commerce, intelligent medicine business and the operation of product tracking platforms in the PRC.

INFORMATION ON THE VENDOR AND ALIBABA GROUP

The Vendor is an offshore holding vehicle incorporated in the British Virgin Islands to hold the Target Company and it is directly wholly-owned by Alibaba Holding.

Alibaba Holding is a company incorporated in the Cayman Islands and its American depositary shares are listed on the New York Stock Exchange. Alibaba Group's mission is to make it easy to do business anywhere. It is the largest retail commerce company in the world in terms of GMV in the twelve months ended March 31, 2016. Founded in 1999, Alibaba Group provides the fundamental technology infrastructure and marketing reach to help merchants, brands and other businesses that provide products, services and digital content to leverage the power of the Internet to engage with their users and customers.

Alibaba Group's businesses are comprised of core commerce, cloud computing, digital media and entertainment, innovation initiatives and others.

INFORMATION ON 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.com.

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.com.

Tmall caters to consumers looking for branded products and a premium shopping experience. A large number of international and Chinese brands and retailers have established storefronts on Tmall. It is positioned as a trusted platform for consumers to buy both homegrown and international branded products as well as products 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.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION AND THE FRAMEWORK TECHNICAL SERVICES AGREEMENT

As previously disclosed by the Company, the Company's mission is to build an online community where it will connect participants in China's healthcare market, so as to provide users with better medical and healthcare services, to realize Alibaba Group's "Double H" strategic direction. As always, Alibaba Group will continue to support the Company's development as its healthcare flagship platform and will continue to explore various cooperation models, to help the Company achieve its goals.

The Company believes that its acquisition of the Target Business will enable it to: (a) further develop into Alibaba Group's healthcare flagship platform; (b) bring in an even broader set of merchants into the online healthcare community to enrich the ecosystem, and to organically complement and supplement the Company's pharmaceutical e-commerce business, intelligent medicine services and product tracking platform services; and (c) obtain more stable and sustainable revenue growth.

Before the Proposed Acquisition, the Tmall Entities incurred costs to service the Target Merchants and provide the technical services and platform where they sold Target Products. Following Completion, the Tmall Entities will continue to incur operating costs for the provision of these technical services and provision of the platform. Therefore the Tmall Software Service Fees will be payable to the Tmall Entities. The Company considers the Framework Technical Services Agreement is necessary as a result of the Merchant relationships in respect of Target Products being assigned to the Company from Alibaba Group and because the technical support and services from Tmall.com to the Company are crucial to allow the Target Merchants to operate on Tmall.com.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Share Purchase Agreement and the Framework Technical Services Agreement 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 in respect of the Share Purchase Agreement (including the alternative size test referred to in Rule 14.20) exceed 5% but are below 25%, the Share Purchase Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As the Vendor is a connected person of the Company, the Proposed Acquisition also constitutes a connected transaction of the Company and is subject to the approval of the Independent Shareholders at the SGM.

In addition, Alibaba Holding is the ultimate majority Shareholder of the Company. The Tmall Entities are Subsidiaries of Alibaba Holding and therefore connected persons of the Company. The transactions contemplated under the Framework Technical Services Agreement will constitute continuing connected transactions for the Company under the Listing Rules. It is expected that the highest of the applicable percentage ratios in respect of the Framework Technical Services Agreement will be more than 5%. Accordingly, the transactions contemplated under the Framework Technical Services Agreement will constitute non-exempt continuing connected transactions subject to the reporting, announcement and Independent Shareholders' approval requirements under 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 Proposed Acquisition and the Framework Technical Services Agreement. Accordingly, they have abstained from voting on the board resolutions in connection with the Proposed Acquisition and the continuing connected transactions under the Framework Technical Services Agreement. Other than the aforesaid Directors, no other Directors have a material interest in the Proposed Acquisition or the continuing connected transactions under the Framework Technical Services Agreement and are not requested to abstain from voting on the board resolutions approving the same.

The SGM will be convened by the Company to propose ordinary resolutions seeking approval from the Independent Shareholders by way of poll for: (i) the Share Purchase Agreement and the connected transaction contemplated thereunder, (ii) the increase in the authorized share capital of the Company, (iii) the issue of the Consideration Shares under the specific mandate, and (iv) the Framework Technical Services Agreement and the non-exempt continuing connected transactions contemplated thereunder. Perfect Advance which holds a total of 4,420,628,008 Shares, representing approximately 53.96% 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 above ordinary resolutions.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Company has established an Independent Board Committee comprising of all the independent non-executive Directors to advise the Independent Shareholders in connection with the approval of the Share Purchase Agreement, the Framework Technical Services Agreement and the connected transactions contemplated thereunder. Platinum 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:

- further details of the Share Purchase Agreement;
- further details of the Framework Technical Services Agreement;
- the advice and recommendations of the Independent Board Committee;
- the advice and recommendations of the Independent Financial Adviser; and
- notice of the SGM,

will be despatched to the Shareholders on or before June 12, 2017 in accordance with the requirements of the Listing Rules.

WARNING

The completion of the Proposed Acquisition and commencement of the Framework Technical Services Agreement are subject to the satisfaction and/or waiver (where applicable) of conditions precedent of the Share Purchase Agreement including but not limited to Independent Shareholders' approval, which may or may not be fulfilled. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

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

- “95095 Platform” the third party online transaction platform for online pharmacies operated under the domain name yao.95095.com (or such other URLs as may be used by 95095 Platform, 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 95095 Platform)
- “Affiliates” (a) for any person that is an individual, his or her Immediate Family Members, and (b) for any person that is not an individual, any other person that directly or indirectly through one or more intermediaries, Controls, or is Controlled by, or is under common Control with, such person; provided, however, that for purposes of this announcement, the Vendor and its Affiliates (other than the Company and its Subsidiaries), on the one hand, and the Company and its Subsidiaries, on the other hand, shall not be deemed to be Affiliates of each other
- “Alibaba Group” a group of companies comprising Alibaba Holding and its Subsidiaries, but, for the purpose of this announcement, excluding the Group
- “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
- “Blue Cap Health Food” food products that are registered (“註冊”) or filed (“備案”), from time to time, with China Food and Drug Administration as “health food” (“保健食品”) in accordance with the Health Food Registration and Filing Administrative Rules (《保健食品註冊與備案管理辦法》) and the Food Safety Law of the PRC (《中華人民共和國食品安全法》) (as such laws and regulations may be amended from time to time) and have obtained a health food (“Blue Cap”) (“藍帽子”) label with a unique registration or filing tracking number from the CFDA

“Board”	the board of Directors
“Business Day”	any day (other than a Saturday or Sunday or holiday) on which banks in Hong Kong, the PRC, Bermuda and the British Virgin Islands are open for the transaction of normal business
“Business Restructuring”	has the meaning given to it in the sub-section “The Share Purchase Agreement – (6) Completion and condition precedent” of this announcement
“CFDA”	the China Food and Drug Administration
“Company”	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)
“Completion”	the completion of the sale and purchase of the entire issued share capital of the Target Company under the Share Purchase Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration of HK\$3,800,000,000 for the Proposed Acquisition
“Consideration Shares”	1,187,500,000 Shares in aggregate to be issued to the Vendor pursuant to the Share Purchase Agreement
“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
“Deed of Non-competition”	the deed of non-competition to be entered into between Alibaba Holding and the Company on or before the Completion of the Proposed Acquisition
“Director(s)”	director(s) of the Company

“Excluded Products”	(i) any medicated liquor sold under the secondary category “health food alcohol” (“保健食品酒”) under the primary category “alcohol” (“酒類”) on Tmall.com; (ii) any energy drinks sold under the secondary category “drinks” (“飲料”) under the primary category “coffee/oatmeal/instant drinks” (“咖啡／麥片／沖飲”) on Tmall.com; (iii) any maternity health food sold under the secondary category “maternity nutritional products” (“孕產婦營養品”) under the primary category “maternity wear/maternity products/nutritional products” (“孕產裝／孕產婦用品／營養品”) on Tmall.com; and (iv) secondary category “infant and toddler nutritional products” (“嬰幼兒營養品”) under the primary category “milk powder/supplemental food/nutritional products/snacks” (“奶粉／輔食／營養品／零食”) on Tmall.com
“Existing Target Merchant”	a Target Merchant which is party to an Existing Target Merchant Contract as of the date of the Share Purchase Agreement
“Existing Target Merchant Contract”	in respect of a Target Merchant, the existing services agreement between Tmall Technology (or its applicable Affiliate) and such Target Merchant that permits the sale of Target Products by such Target Merchant on Tmall.com
“Framework Technical Services Agreement”	the software services agreement dated May 18, 2017 between the WFOE and the Tmall Entities
“GMV”	gross merchandise volume
“Group”	the Company and its Subsidiaries (after Completion, including the Target Group)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Immediate Family Members”	for any natural person, (a) such person’s spouse, parents, parents-in-law, grandparents, children, grandchildren, siblings and siblings-in-law (in each case whether adoptive or biological), (b) spouses of such person’s children, grandchildren and siblings (in each case whether adoptive or biological) and (c) estates, trusts, partnerships and other persons which directly or indirectly through one or more intermediaries are Controlled by the foregoing

“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 Share Purchase Agreement, the Framework Technical Services Agreement and the connected transactions contemplated thereunder
“Independent Financial Advisor” or “Platinum”	Platinum Securities Company 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 Share Purchase Agreement, the Framework Technical Services Agreement and the 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 Share Purchase Agreement, the Framework Technical Services Agreement and the connected transactions contemplated thereunder
“Issue Price”	the per share price of HK\$3.20 for the issue of each Consideration Share
“Last Trading Day”	May 18, 2017, being the last full trading day for the Shares before the date of this announcement
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Merchant”	a legal entity which conducts the sale of products or provision of services on Tmall.com
“Merchant Assignment”	has the meaning given to it in the sub-section “The Share Purchase Agreement – (7) Business Restructuring” in this announcement
“Non-assigned Target Merchant”	has the meaning given to it in the sub-section “The Share Purchase Agreement – (8) Transition Period” in this announcement

“Non-competition Period”	the period commencing on Completion and ending on the earliest of: (i) the Shares ceasing to be listed on the Stock Exchange; (ii) Alibaba Holding ceasing to beneficially own an aggregate of 30% or more of the voting securities of the Company; and (iii) Alibaba Holding no longer being the single largest Shareholder (aggregated with the Shares beneficially owned by persons acting in concert with Alibaba Holding)
“Perfect Advance”	Perfect Advance Holding Limited, a company incorporated in the British Virgin Islands and an indirect non-wholly owned Subsidiary of Alibaba Holding
“Permitted Scope”	(a) the conduct of Restricted Business pursuant to any then-effective Existing Target Merchant Contracts until the earlier of (i) the expiration of such Existing Target Merchant Contract in accordance with its terms and (ii) December 31, 2017; (b) entering into the Tripartite Agreements and conducting activities pursuant to the terms thereunder; (c) the conduct of business activities pursuant to the terms of the Framework Technical Services Agreement, including the collection of the Tmall Software Service Fees thereunder; and (d) any business with the Company’s prior written consent.
“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
“Proposed Acquisition”	the sale and purchase of the entire issued share capital of the Target Company as contemplated under the Share Purchase Agreement
“Restricted Business”	has the meaning given to it in the section “The Proposed Deed of Non-competition” in this announcement
“SGM”	the special general meeting of the Company to be convened for the Independent Shareholders to consider, and vote, on the Share Purchase Agreement, the Framework Technical Services Agreement and the connected transactions contemplated thereunder
“Share Purchase Agreement”	the share purchase agreement dated May 18, 2017 entered into between the Company and the Vendor in respect of the Proposed Acquisition

“Shareholder(s)”	holder(s) of the Shares
“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
“Subsidiary” or “Subsidiaries”	an entity or entities which are Controlled
“Target Business”	the business to be directly or indirectly injected into the Company pursuant to the terms of the Share Purchase Agreement
“Target Company”	Ali JK Nutritional Products Limited, a company incorporated under the laws of British Virgin Islands and a direct wholly-owned Subsidiary of the Vendor
“Target Group”	the Target Company and its Subsidiaries
“Target Merchant”	a merchant who has obtained, or proposes to obtain, permission from Tmall.com to sell Target Products on Tmall.com, regardless of whether any actual sales of Target Products have been made by such merchant on Tmall.com
“Target Products”	the Blue Cap Health Food products sold on Tmall.com, excluding any Excluded Products
“Tmall Entities”	Tmall Technology and Tmall Network, collectively
“Tmall Global”	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 Global, 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 Global)
“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 Software Service Fees”	the software service fees received by the Tmall Entities from the WFOE pursuant to the Framework Technical Services Agreement
“Tmall Supermarket”	the third party online transaction platform for brands and retailers operated under the domain name chaoshi.tmall.com (or such other URLs as may be used by Tmall Supermarket, 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 Supermarket)
“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
“Tmall.com”	the third party online platform for brands and retailers operated by the Tmall Entities under the domain name tmall.com (or such other URLs as may be used by the Tmall Entities, 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.com), provided, however, that for the purpose of this announcement, Tmall.com does not include Tmall Global, Tmall Supermarket and 95095 Platform
“Transition Period”	the period commencing on the date of Completion and ending on the earliest of (i) completion of the Merchant Assignment of the Non-assigned Target Merchant, (ii) the termination or expiration of the Existing Target Merchant Contract, and (iii) December 31, 2017
“Tripartite Agreements”	the tripartite agreements to be entered into among the Target Merchants, the WFOE and the Tmall Entities
“Vendor”	Ali JK Nutritional Products Holding Limited, a company incorporated under the laws of British Virgin Islands and a direct wholly-owned Subsidiary of Alibaba Holding
“VWAP”	in respect of the Shares, volume-weighted average price, being the ratio of the value traded to total volume traded over a trading day as quoted on the Stock Exchange
“WFOE”	Hangzhou Hengping Information Technology Co., Ltd* (杭州衡平信息科技有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned Subsidiary of the Vendor

“WFOE Software Service Fees”

the software service fees received by the WFOE from the Target Merchants for transactions selling Target Products on Tmall.com and utilizing services provided by the Tmall Entities which is equal to up to 3% of the value of completed sales of Target Products sold on Tmall.com and which will be deducted from the receivables of the relevant Target Merchant and paid to the WFOE after a customer confirms the receipt of the products he or she purchases

“%”

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, 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.