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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)

CONNECTED TRANSACTIONS ENTRY INTO OF SUBSCRIPTION AGREEMENTS AND ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

SUBSCRIPTION

The Board is pleased to announce that on May 23, 2019 (before trading hours), the Company and Ali JK entered into the Ali JK Subscription Agreement in relation to the subscription of an aggregate of 242,400,000 Subscription Shares at the Subscription Price of HK\$7.50 per Subscription Share. On the same day (before trading hours), the Company and Antfin entered into the Antfin Subscription Agreement in relation to the subscription of an aggregate of 60,576,000 Subscription Shares at the Subscription Price of HK\$7.50 per Subscription Share.

The Subscription Shares represent approximately: (i) 2.59% of the existing issued share capital of the Company as at the date of this announcement; and (ii) 2.52% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. The Subscription Shares will be allotted and issued under the Specific Mandate to be sought at the SGM.

The gross proceeds of the Subscription will be HK\$2,272,320,000. The net proceeds of the Subscription, after the deduction of the related expenses, will be approximately HK\$2,271,620,000, representing a net subscription price of approximately HK\$7.50 per Subscription Share. The Company intends to apply the net proceeds of the Subscription for repayment of loans, to fund ongoing business operations and expansion, for completion of previous committed investments, as well as future strategic acquisitions as and when appropriate opportunities arise.

IMPLICATIONS UNDER THE LISTING RULES

As Ali JK itself is a substantial Shareholder, and also a wholly-owned subsidiary of Alibaba Holding, the ultimate majority shareholder of the Company, Ali JK is a connected person of the Company. As Antfin is an indirect wholly-owned subsidiary of Ant Financial, which, together with its subsidiaries, were confirmed as deemed connected persons of the Company by the Stock Exchange in July 2017 under Rule 14A.19 of the Listing Rules, Antfin is therefore a connected person of the Company. Accordingly, the entry into of the Subscription Agreements and the transactions contemplated thereunder (including the Subscription and the issue of the Subscription Shares under the Specific Mandate) constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to, among others, the approval of the Independent Shareholders at the SGM.

The SGM will be held to consider and, if thought fit, pass the resolution(s) to approve the Subscription Agreements, the connected transactions contemplated thereunder and the grant of the Specific Mandate for the allotment and issue of the Subscription Shares. The voting at the SGM will be conducted by way of a poll whereby the Subscribers and their associates shall abstain from voting on the relevant resolution(s) to be proposed at the SGM to approve the Subscription Agreements, the connected transactions contemplated thereunder and the grant of the Specific Mandate for the allotment and issue of the Subscription Shares. As at the date of this announcement, Ali JK and its associates are interested in 6,561,327,868 Shares, representing approximately 56.02% of the issued share capital of the Company as at the date of this announcement, and Antfin does not have any interest in the issued share capital of the Company as at the date of this announcement.

The Company has established an Independent Board Committee comprising all the independent non-executive Directors to advise the Independent Shareholders on the Subscription. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Subscription; (ii) the advice and recommendation of the Independent Board Committee; (iii) the advice and recommendation of the independent financial adviser; and (iv) a notice convening the SGM and a proxy form are expected to be despatched to the Shareholders on or before June 30, 2019, as additional time is required to finalize the information to be included therein.

Completion of the Subscription is subject to the satisfaction of the conditions precedent of the Subscription Agreements. Accordingly, the Subscription may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on May 23, 2019 (before trading hours), the Company and Ali JK entered into the Ali JK Subscription Agreement in relation to the subscription of an aggregate of 242,400,000 Subscription Shares at the Subscription Price of HK\$7.50 per Subscription Share. On the same day (before trading hours), the Company and Antfin entered into the Antfin Subscription Agreement in relation to the subscription of an aggregate of 60,576,000 Subscription Shares at the Subscription Price of HK\$7.50 per Subscription Share.

THE SUBSCRIPTION AGREEMENTS

(1) Date

May 23, 2019

(2) Parties to the Ali JK Subscription Agreement

- (a) the Company as the issuer; and
- (b) Ali JK as the Subscriber.

(3) Parties to the Antfin Subscription Agreement

- (a) the Company as the issuer; and
- (b) Antfin as the Subscriber.

(4) The Subscription

Pursuant to the Ali JK Subscription Agreement, the Company has conditionally agreed to allot and issue, and Ali JK has conditionally agreed to subscribe for, 242,400,000 Subscription Shares at the total subscription price of HK\$1,818,000,000.

Pursuant to the Antfin Subscription Agreement, the Company has conditionally agreed to allot and issue, and Antfin has conditionally agreed to subscribe for, 60,576,000 Subscription Shares at the total subscription price of HK\$454,320,000.

The total subscription price of HK\$2,272,320,000 pursuant to the Subscription shall be payable in cash by each of the Subscribers to the Company at Completion.

(5) The Subscription Shares

The Subscription Shares represent approximately: (i) 2.59% of the existing issued share capital of the Company as at the date of this announcement; and (ii) 2.52% of the issued share capital of the Company as enlarged by the issue of the Subscription 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 the issue of the Subscription Shares.

The Subscription Shares will be allotted and issued under the Specific Mandate to be sought at the SGM.

(6) Ranking

The Subscription Shares, when allotted and issued, shall rank *pari passu* in all respects among themselves and with all the Shares in issue as at the date of allotment and issue of the Subscription Shares.

(7) Lock-up

For a period of 18 months from Completion, each Subscriber has agreed that it will not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or other third party rights in respect of its Subscription Shares, except for a disposal to the Subscriber's affiliate or otherwise with the prior written consent of the Company.

(8) The Subscription Price

The Subscription Price represents:

- (a) a discount of approximately 2.34% to the closing price of the Shares of HK\$7.68 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 4.21% to the average closing price for the 5 consecutive trading days up to and including the Last Trading Day of approximately HK\$7.83 per Share;
- (c) a discount of approximately 7.19% to the average closing price for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$8.08 per Share;

- (d) a discount of approximately 10.91% to the average closing price for the 15 consecutive trading days up to and including the Last Trading Day of approximately HK\$8.42 per Share;
- (e) a discount of approximately 9.71% to the average closing price for the 90 consecutive trading days up to and including the Last Trading Day of approximately HK\$8.31 per Share; and
- (f) a discount of approximately 2.48% to the average closing price for the 180 consecutive trading days up to and including the Last Trading Day of approximately HK\$7.69 per Share.

The net Subscription Price, after the deduction of the related expenses, is estimated to be approximately HK\$7.50 per Subscription Share.

The aggregate nominal value of the Subscription Shares will be HK\$3,029,760.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers, having taken into account the share price performance of the Company in the 180 trading days up to and including the Last Trading Day.

The Directors (excluding the independent non-executive Directors who will form their views after taking into account the advice from the independent financial adviser) consider that the Subscription Price and the terms and conditions of the Subscription Agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

(9) Conditions precedent

Completion will take place on the Business Day immediately following the satisfaction of the following conditions:

- (a) the passing by the Independent Shareholders at a duly convened Shareholders' meeting of the Company of resolution(s) approving the issue of the Subscription Shares pursuant to the Subscription Agreements;
- (b) in the case of the Antfin Subscription Agreement, the Ali JK Subscription Agreement having become unconditional;
- (c) the granting of the approval of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares; and
- (d) no governmental authority in any relevant jurisdiction having enacted any laws, rules or regulations which might render Completion or any part thereof unlawful.

If any of the conditions precedent set out above has not been fulfilled on or before September 30, 2019 (or such other date as may be agreed between the Company and the Subscribers), the Subscription Agreements shall automatically terminate with immediate effect pursuant to their respective terms.

For the avoidance of doubt, the completion of the Antfin Subscription Agreement is conditional upon the Ali JK Subscription Agreement having become unconditional.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS

As previously disclosed by the Company, the Group, whose mission is to “make good health achievable at the fingertips”, has been strengthening the foundation of its healthcare business and actively planning for its future. With its vision of “facilitating medicine through big data and using the Internet to change the face of healthcare to provide fair, affordable and accessible medical and healthcare services to 1 billion people”, the Group has been striving to expand its pharmaceutical and healthcare product and service sales business, actively expand its Internet-based medical platform, optimize its product and service offerings, explore intelligent medicine by using AI and Internet of Things technologies, and develop its consumer healthcare business.

In the past year, some of these activities were funded by internal cash while others were funded by loans, for which a significant interest expense was incurred. The Subscription will enable the Group to raise funds for its expanding business operations, maintain a healthy cash position, while keeping its borrowings and hence interest expenses low. The participation in the Subscription by Alibaba Holding (through Ali JK, its wholly-owned subsidiary), which is the ultimate majority shareholder of the Company, demonstrates its continued support for the Company’s development as Alibaba Group’s flagship vehicle to execute its data-driven healthcare strategy. At the same time, the Company believes that the participation in the Subscription by Ant Financial (through Antfin, its wholly-owned subsidiary) will also facilitate deeper cooperation with Ant Financial, with which it had already previously signed a strategic cooperation agreement with, as disclosed by the Company in its announcement dated November 14, 2018.

The Company intends to apply the net proceeds of the Subscription for repayment of loans, to fund ongoing business operations and expansion, for completion of previous committed investments, as well as future strategic acquisitions as and when appropriate opportunities arise.

The Directors (excluding the independent non-executive Directors who will form their views after taking into account the advice from the independent financial adviser) are of the view that the Subscription Agreements are entered into upon normal commercial terms following arm’s length negotiations between the Company and the Subscribers and that the terms of the Subscription Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

APPLICATION FOR LISTING OF THE SUBSCRIPTION SHARES

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares to be allotted and issued pursuant to the Subscription Agreements.

EFFECT OF THE SUBSCRIPTION 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 Subscription Shares between the date of the Subscription Agreements and the date of Completion).

	As at the date of this announcement		Immediately after Completion	
	Number of Shares	%	Number of Shares	%
Perfect Advance (<i>Note 1</i>)	3,103,816,661	26.50	3,103,816,661	25.83
Ali JK (<i>Note 2</i>)	3,457,511,207	29.52	3,699,911,207	30.79
Antfin	0	0.00	60,576,000	0.50
Innovare Tech Limited	1,316,811,347	11.24	1,316,811,347	10.96
Directors of the Company or its subsidiaries	10,389,225	0.09	10,389,225	0.09
Other shareholders	<u>3,823,699,024</u>	<u>32.65</u>	<u>3,823,699,024</u>	<u>31.82</u>
Total	<u>11,712,227,464</u> ^(<i>Note 3</i>)	<u>100.00</u>	<u>12,015,203,464</u>	<u>100.00</u>

Notes:

1. Perfect Advance is an indirect wholly-owned subsidiary of Alibaba Holding.
2. Ali JK itself is a substantial Shareholder and a wholly-owned subsidiary of Alibaba Holding.
3. Since the last monthly return submitted by the Company under Rule 13.25B of the Listing Rules, the Company had issued a total of 298,000 Shares due to the exercise of share options by certain employees of the Company under the Company's share award scheme. Such options were not exercised by a director of the Company and hence a next day disclosure return was not submitted by the Company under Rule 13.25 A (1) of the Listing Rules.

EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities in the 12 months immediately preceding the date of this announcement.

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 are pharmaceutical e-commerce, Internet-based medical services, consumer healthcare services and intelligent medicine services.

INFORMATION ON THE SUBSCRIBERS, ALIBABA GROUP AND ANT FINANCIAL

Ali JK is an offshore holding vehicle incorporated in the British Virgin Islands and is 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 (Stock Code: BABA). Alibaba Group's mission is to make it easy to do business anywhere. It is the largest retail commerce business in the world in terms of GMV in the twelve months ended March 31, 2018 according to Analysys. Founded in 1999, Alibaba Group provides the fundamental technology infrastructure and marketing reach to help merchants, brands and other businesses 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 and innovation initiatives and others.

Antfin is a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of Ant Financial. Ant Financial is a company incorporated in the PRC dedicated to using technology to bring the world equal opportunities. Ant Financial's technologies, including blockchain, artificial intelligence, security, Internet of Things and computing, empower the company and its ecosystem partners to serve the unbanked and underbanked, bringing more secure, transparent, cost-effective and inclusive financial services to individuals and small and micro-sized individual customer and small businesses worldwide.

IMPLICATIONS UNDER THE LISTING RULES

As Ali JK itself is a substantial Shareholder, and also a wholly-owned subsidiary of Alibaba Holding, the ultimate majority shareholder of the Company, Ali JK is a connected person of the Company. As Antfin is an indirect wholly-owned subsidiary of Ant Financial, which, together with its subsidiaries, were confirmed as deemed connected persons of the Company by the Stock Exchange in July 2017 under Rule 14A.19 of the Listing Rules, Antfin is therefore a connected person of the Company. Accordingly, the entry into of the Subscription Agreements and the transactions contemplated thereunder (including the Subscription and the issue of the Subscription Shares under the Specific

Mandate) constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to, among others, the approval of the Independent Shareholders at the SGM.

As Mr. WU Yongming, Mr. WANG Lei and Ms. ZHANG Yu 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 Subscription Agreements. Accordingly, they have abstained from voting on the board resolutions in connection with the Subscription. Other than the aforesaid Directors, no other Directors have a material interest in the Subscription or are required to abstain from voting on the relevant board resolutions.

The SGM will be held to consider and, if thought fit, pass the resolution(s) to approve the Subscription Agreements, the connected transactions contemplated thereunder and the grant of the Specific Mandate for the allotment and issue of the Subscription Shares. The voting at the SGM will be conducted by way of a poll whereby the Subscribers and their associates shall abstain from voting on the relevant resolution(s) to be proposed at the SGM to approve the Subscription Agreements, the connected transactions contemplated thereunder and the grant of the Specific Mandate for the allotment and issue of the Subscription Shares. As at the date of this announcement, Ali JK and its associates are interested in 6,561,327,868 Shares, representing approximately 56.02% of the issued share capital of the Company as at the date of this announcement, and Antfin does not have any interest in the issued share capital of the Company as at the date of this announcement.

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 on the Subscription. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) details of the Subscription; (ii) the advice and recommendation of the Independent Board Committee; (iii) the advice and recommendation of the independent financial adviser; and (iv) a notice convening the SGM and a proxy form are expected to be despatched to the Shareholders on or before June 30, 2019, as additional time is required to finalize certain information to be included therein.

Completion of the Subscription is subject to the satisfaction of the conditions precedent of the Subscription Agreements. Accordingly, the Subscription may or may not proceed. 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:

“Ali JK”	Ali JK Nutritional Products Holding Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Alibaba Holding
“Ali JK Subscription Agreement”	the subscription agreement dated May 23, 2019 entered into between the Company and Ali JK
“Alibaba Group”	a group of companies comprising Alibaba Holding and its subsidiaries
“Alibaba Holding”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands and the American depositary shares of which are listed on the New York Stock Exchange (Stock Code: BABA)
“Ant Financial”	浙江螞蟻小微金融服務集團股份有限公司 (Ant Small and Micro Financial Services Group Co., Ltd.*), a company incorporated in the PRC with limited liability, which together with its subsidiaries have been deemed by the Stock Exchange as connected persons of the Company
“Antfin”	Antfin (Hong Kong) Holding Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of Ant Financial
“Antfin Subscription Agreement”	the subscription agreement dated May 23, 2019 entered into between the Company and Antfin
“associate(s)”	has the meaning given to it under the Listing Rules
“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
“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)
“Completion”	the completion of the subscription of the Subscription Shares under the Subscription Agreements

“connected person”	has the meaning given to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“GMV”	gross merchandise volume
“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. LUO Tong and Mr. WONG King On, Samuel, being the independent non-executive Directors, established to advise the Independent Shareholders on the Subscription
“Independent Shareholders”	the Shareholders of the Company, other than (i) the Subscribers and their associates; and (ii) those who are required to abstain from voting at the SGM to be convened to approve the Subscription
“Last Trading Day”	May 22, 2019, being the last full trading day for the Shares immediately before the entry into of the Subscription Agreements
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Perfect Advance”	Perfect Advance Holding Limited, a company incorporated in the British Virgin Islands and an indirect 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
“SGM”	the special general meeting of the Company to be held and convened to consider and approve the Subscription
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary shares of par value HK\$0.01 each in the share capital of the Company

“Specific Mandate”	the specific mandate to be sought at the SGM to allot and issue the Subscription Shares to the Subscribers as contemplated under the Subscription Agreements
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	Ali JK and Antfin, each a Subscriber and collectively the Subscribers
“Subscription”	the subscription of the Subscription Shares by the Subscribers pursuant to the Subscription Agreements
“Subscription Agreements”	the Ali JK Subscription Agreement and the Antfin Subscription Agreement
“Subscription Price”	the price of HK\$7.50 per Share for the issue of each Subscription Share
“Subscription Shares”	302,976,000 new Shares to be allotted and issued to the Subscribers pursuant to the Subscription Agreements
“%”	per cent

* *For identification purposes only*

By Order of the Board
ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED
SHEN Difan
Chief Executive Officer and Executive Director

Hong Kong, May 23, 2019

As at the date of this announcement, the Board comprises seven Directors, of whom (i) two are executive Directors, namely Mr. SHEN Difan and Mr. WANG Qiang; (ii) three are non-executive Directors, namely Mr. WU Yongming, Mr. WANG Lei and Ms. ZHANG Yu; and (iii) two are independent non-executive Directors, namely Mr. LUO Tong and Mr. WONG King On, Samuel.