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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 TRANSACTION

The Board is pleased to announce that on December 24, 2018, Alibaba Health (China) entered into the Capital Increase Agreement with Gansu Deshengtang Pharmaceutical Technology Co., Ltd* (甘肅德生堂醫藥科技集團有限公司) (the “**Target Company**”) and the Existing Target Shareholders, pursuant to which Alibaba Health (China) and/or its designated affiliates shall inject RMB188,888,000 in cash into the Target Company, of which RMB12,345,679 shall be contributed to the increase in its registered capital, and the remaining amount shall be contributed to its capital reserve. Upon completion of the Capital Increase Agreement, the registered capital of the Target Company shall be increased to RMB123,456,790 and the Target Company shall be held as to 10% by Alibaba Health (China) and/or its designated affiliates.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Capital Increase Agreement exceed(s) 5% but are all below 25%, the Capital Increase Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

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

I. INTRODUCTION

The Board is pleased to announce that on December 24, 2018, Alibaba Health (China) entered into:-

- (a) the Capital Increase Agreement with the Target Company and the Existing Target Shareholders, pursuant to which Alibaba Health (China) and/or its designated affiliates shall inject RMB188,888,000 in cash into the Target Company. Upon completion of the Capital Increase Agreement, the Target Company shall be held as to 10% by Alibaba Health (China) and/or its designated affiliates; and
- (b) the Shareholders Agreement with the Existing Target Shareholders and the Target Company. The Shareholders Agreement will only become effective from the First Completion Date of the Capital Increase Agreement.

II. REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company's mission is to "make good health achievable at the fingertips". By connecting participants in the PRC pharmaceutical market, it aims to achieve 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". Through its investment in the Target Company, the Company will work with the Target Company to explore and expand new retail models for pharmacies in the regions where the Target Company has an advantage, to reach out to more consumers in the pharmaceutical retail market through all channels, and to provide such consumers with greater, broader and more convenient pharmaceutical services.

The Directors (including the independent non-executive Directors) consider that the terms of the Capital Increase Agreement are fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

III. THE CAPITAL INCREASE AGREEMENT

Date

December 24, 2018

Parties to the Capital Increase Agreement

- (1) the Target Company;
- (2) Alibaba Health (China); and
- (3) the Existing Target Shareholders.

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

Capital contribution

As at the date of this announcement, the Existing Target Shareholders hold the entire registered capital of RMB111,111,111 in the Target Company. Pursuant to the Capital Increase Agreement:

- Alibaba Health (China) and/or its designated affiliates shall inject RMB188,888,000 in cash into the Target Company, of which RMB12,345,679 shall be contributed to the increase in the registered capital of the Target Company, and the remaining amount shall be contributed to the capital reserve of the Target Company; and
- upon completion of the Capital Increase Agreement, the registered capital of the Target Company shall be increased by RMB12,345,679 to RMB123,456,790 and the Target Company shall be held as to 10% by Alibaba Health (China) and/or its designated affiliates and 90% by the Existing Target Shareholders.

The Target Company will become a long-term investment in an associate of the Company and/or its designated affiliates upon the Second Completion Date of the Capital Increase Agreement, and the financial results of the Target Company will not be consolidated into the accounts of the Group. The profit and loss of the Target Company will be recognized as a share of profit or loss from the Company's and/or its designated affiliates' associate (as the case may be).

Consideration and payment

The consideration under the Capital Increase Agreement is RMB188,888,000, which shall be payable in cash to the Target Company's designated bank account in the following manner:

- (i) 50% of which will be payable by Alibaba Health (China) on the First Completion Date; and
- (ii) the remaining 50% of which will be payable by Alibaba Health (China) or its designated affiliates within five Business Days following the Second Completion Date.

The consideration for the Capital Increase Agreement was determined after arm's length negotiations among the parties to the Capital Increase Agreement with reference to the revenue and profit of the Target Group for the year ended December 31, 2017, the business prospects of both the Target Group and the retail pharmaceutical industry, the prevailing valuation level 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 the Group's internal funds.

Respective percentages of the registered capital of the Target Company held by the parties to the Capital Increase Agreement

Parties to the Capital Increase Agreement	Percentage of registered capital as at the date of this announcement	Percentage of registered capital immediately after completion of the Capital Increase Agreement
Management Shareholders	80.00%	72.00%
Employees' Shareholding Platform	10.00%	9.00%
Financial Investors	10.00%	9.00%
Alibaba Health (China) and/or its designated affiliates	—	10.00%
Total	<u>100%</u>	<u>100%</u>

Management of the Target Company

Pursuant to the Capital Increase Agreement and the Shareholders Agreement, Alibaba Health (China) and its designated affiliates (if any) shall be entitled to certain customary investor protection rights. Following the First Completion Date of the Capital Increase Agreement, Alibaba Health (China) shall be entitled to nominate a director to the board of directors of the Target Company pursuant to the Capital Increase Agreement and the Shareholders Agreement and enjoy other shareholders' rights under the Shareholders Agreement. If the listing of the Target Company on a recognised stock exchange materializes, Alibaba Health (China) shall be, after the listing of the Target Company, entitled to shareholder's rights in accordance with the provisions of the PRC Company Law and the Target Company's articles of association.

IV. THE SHAREHOLDERS AGREEMENT

On December 24, 2018, Alibaba Health (China), the Existing Target Shareholders and the Target Company entered into the Shareholders Agreement in relation to the shareholders arrangements in respect of the Target Company. In the event that any of Alibaba Health (China)'s designated affiliates subscribes for the registered capital on the Second Completion Date, such affiliate shall also enter into an adherence agreement and be considered as a party to the Shareholders Agreement. The following terms under the Shareholders Agreement with reference to Alibaba Health

(China) shall also include Alibaba Health (China) and its designated affiliates, as the equity holder of the Target Company. The Shareholders Agreement will only become effective from the First Completion Date of the Capital Increase Agreement.

The principal terms of the Shareholders Agreement include the following:

Director nomination right: After the First Completion Date, Alibaba Health (China) (but excluding its designated affiliates) has the right to nominate one director to the board of directors of the Target Company.

Restriction on transfers: (i) If any Existing Target Shareholder proposes to transfer all or part of its equity interests to other Existing Target Shareholders or a third party, then such selling Existing Target Shareholder proposing to transfer its equity interests shall first notify Alibaba Health (China) and the Financial Investors or the other Existing Target Shareholders (as the case may be) the details of the proposed transfer. Alibaba Health (China), the Financial Investors or the other Existing Target Shareholders (as the case may be) may exercise its/their right to acquire all or a portion of the equity interests proposed to be transferred by the selling Existing Target Shareholder.

(ii) If any Management Shareholder proposes to transfer all or part of its equity interests to other Existing Target Shareholders or a third party, then such Management Shareholder proposing to transfer its equity interests shall first notify Alibaba Health (China) and the Financial Investors with the details of the proposed transfer. Alibaba Health (China) and the Financial Investors may exercise its right to sell, in priority to the selling Management Shareholder, all or portion of its equity interests on the same terms and price as the proposed transfer.

Additional registered capital and pre-emption right: If the Target Company requires additional capital in the course of its operations, Alibaba Health (China) and the Financial Investors will have the first right to subscribe for all or a portion of the proposed increase in registered capital of the Target Company.

If Alibaba Health (China) and the Financial Investors do not subscribe for all of the proposed increase in registered capital, then the Management Shareholders will have the second right to subscribe for such portion that is not subscribed for by Alibaba Health (China) and the Financial Investors.

If the new investor proposes to subscribe for the proposed increase in registered capital of the Target Company, the unit subscription price per equity interest paid by such new investor shall not be lower than that paid by Alibaba Health (China) without the consent of Alibaba Health (China) and the unit subscription price per equity interest paid by such new investor shall not be lower than that paid by the Financial Investors without the consent of Alibaba Health (China) and the Financial Investors.

Put Option:

If any disposal event occurs, including but not limited to (i) a material breach by the Target Company or the Existing Target Shareholders under the Capital Increase Agreement or the Shareholders Agreement which has a material adverse effect on the Target Company's business, assets, liabilities or financial condition; (ii) the Target Company or the Management Shareholders committing any fraud or matters involving dishonesty (including but not limited to any false or material omissions in the financial information provided by the Target Company or the Management Shareholders to Alibaba Health (China)); or (iii) the qualified listing of the Target Company on a recognised stock exchange not occurring on or before the agreed time, each of Alibaba Health (China) and the Financial Investors will have the right (in its sole discretion) to require that Mr. Long Yan acquires all or part of its equity interests for an amount equal to its original investment plus a 10% annual return on the amount invested minus any dividend or bonus received by it (the "**Put Option**").

If the Put Option is exercised by Alibaba Health (China), the Company will comply with the relevant requirements under the Listing Rules where applicable.

Reserved matters: The Target Company shall not, and shall procure that the Target Company's subsidiaries shall not, among other things, undertake the reserved matters without the prior written consent of Alibaba Health (China) and Jiangsu Yuanhai, including but not limited to change its principal business, approve budgets, make material external investments, approve any distribution of profit prior to the listing of the Target Company, decide on the listing proposal of the Target Company or incur any material debt, etc.

The Target Company shall not enter into any material transaction or engage in any equity transaction with competitors of Alibaba Health (China) without the prior written consent of Alibaba Health (China).

V. LISTING RULE IMPLICATIONS

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Capital Increase Agreement exceed(s) 5% but are all below 25%, the Capital Increase Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

VI. INFORMATION ABOUT THE TARGET COMPANY

The Target Company was established in the PRC. As at the date of this announcement, the Target Company has an existing registered capital of RMB111,111,111, which is held as to 100% by the Existing Target Shareholders.

The Target Company and its operating subsidiaries are primarily engaged in pharmaceutical retail chain business in self-owned and franchise pharmacies in the PRC and pharmaceutical e-commerce business. As at June 30, 2018, the Target Company and its operating subsidiaries operated more than 540 pharmacies in the PRC.

Based on the unaudited consolidated accounts of the Target Company prepared in accordance with PRC accounting principles for the year ended December 31, 2017, the consolidated net asset value of the Target Company was approximately RMB298,180,000. The unaudited consolidated net profit/loss (before and after taxation) of the Target Company for the two financial years ended December 31, 2016 and 2017 are set out below:

	For the year ended December 31,	
	2016	2017
	<i>(RMB)</i>	<i>(RMB)</i>
Net profit before taxation	73,513,851	72,643,610
Net profit after taxation	54,784,150	61,393,336

VII. INFORMATION ABOUT THE EXISTING TARGET SHAREHOLDERS

Mr. Long Yan and Mr. Long Yun are PRC nationals.

Each of Jinchang Changqi and Jinchang Yi College is a limited partnership established in the PRC and are collectively the Target Company's employees' shareholding platform.

Each of Jiangsu Yanhai, Suzhou Bangsheng, Jiangsu Yiquan and Nanjing Bangsheng is an investment holding entity established as a limited partnership established in the PRC and is a financial investor.

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

VIII. INFORMATION ABOUT THE COMPANY AND ALIBABA HEALTH (CHINA)

The Company was incorporated in Bermuda and the Shares are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and the Group is 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 focus on pharmaceutical e-commerce and new retail, Internet-based medical services, consumer healthcare services and intelligent medicine services.

Alibaba Health (China) is a limited liability company established in the PRC with a registered capital of RMB500 million. It is an indirect wholly owned subsidiary of the Company and is primarily engaged in the provision of pharmaceutical e-commerce and new retail, Internet-based medical services, consumer healthcare services and intelligent medicine services.

WARNING

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

DEFINITIONS

“Alibaba Health (China)”	Alibaba Health Technology (China) Company Limited* (阿里健康科技(中國)有限公司), a subsidiary of the Company
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, or Sunday or day legally designated by the PRC government as a statutory holiday)
“Capital Increase Agreement”	the capital increase agreement dated December 24, 2018 entered into by the Target Company, Alibaba Health (China) and the Existing Target Shareholders
“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 under the Listing Rules
“Director(s)”	director(s) of the Company
“Employees’ Shareholding Platform”	Jinchang Changqi and Jinchang Yi College, which are collectively the employees’ shareholding platform of the Target Company
“Existing Target Shareholders”	the Management Shareholders, the Employees Shareholding Platform and the Financial Investors. To the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, each of the Existing Target Shareholders and their ultimate beneficial owners, are third parties independent of the Company and its connected persons

“Financial Investors”	Jiangsu Yuanhai, Suzhou Bangsheng, Jiangsu Yiquan and Nanjing Bangsheng
“First Completion Date”	the date on which the registered capital of the Target Company is increased by RMB6,172,839.5 after (i) the necessary approvals and (ii) other conditions precedents for such increase have been satisfied
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Jiangsu Yiquan”	Jiangsu Yiquan Xingong Bangsheng Venture Capital Fund Partnership (Limited Partnership)* (江蘇惠泉新工邦盛創業投資基金合夥企業(有限合夥)), a limited partnership established in the PRC
“Jiangsu Yuanhai”	Jiangsu Yuanhai Industry Investment Fund (Limited Partnership)* (江蘇沿海產業投資基金(有限合夥)), a limited partnership established in the PRC
“Jinchang Changqi”	Jinchang Changqi Management Consulting Center (Limited Partnership)* (金昌昌啟管理諮詢中心(有限合夥)), a limited partnership established in the PRC
“Jinchang Yi College”	Jinchang Yi College Management Consulting Center (Limited Partnership)* (金昌壹學院管理諮詢中心(有限合夥)), a limited partnership established in the PRC
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Management Shareholders”	Mr. Long Yan (龍岩) and Mr. Long Yun (龍雲)
“Nanjing Bangsheng”	Nanjing Bangsheng Juyuan Investment Management Partnership (Limited Partnership) (南京邦盛聚源投資管理合夥企業(有限合夥)), a limited partnership established in the PRC
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“PRC Company Law”	the PRC Company Law (《中華人民共和國公司法》), as promulgated by the Standing Committee of the Eight National People’s Congress on December 29, 1993 and as revised on December 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018
“RMB”	Renminbi, the lawful currency of the PRC
“Second Completion Date”	the date on which the registered capital of the Target Company is further increased by RMB6,172,839.5 after (i) the designated affiliate of Alibaba Health (China) has been established or the lapse of three months after the First Completion Date and Alibaba Health (China) opts to contribute to such capital increase (whichever is earlier), (ii) the necessary approvals have been obtained and (iii) other conditions precedents for such further increase have been satisfied
“Shareholders”	holders of the Shares
“Shareholders Agreement”	the shareholders’ agreement dated December 24, 2018 entered into between the Target Company, the Existing Target Shareholders and Alibaba Health (China)
“Shares”	ordinary shares in the issued capital of the Company with a nominal value of HK\$0.01 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in the Listing Rules
“Suzhou Bangsheng”	Suzhou Bangsheng Yingxin Venture Capital Investment Enterprise (Limited Partnership)* (蘇州邦盛贏新創業投資企業(有限合夥)), a limited partnership established in the PRC
“Target Company”	Gansu Deshengtang Pharmaceutical Technology Co., Ltd* (甘肅德生堂醫藥科技集團有限公司), a company established in the PRC with limited liability

“Target Group” the Target Company and its subsidiaries

“%” per cent.

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

Hong Kong, December 24, 2018

As at the date of this announcement, the Board comprises eight Directors, of which (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) three are independent non-executive Directors, namely Mr. YAN Xuan, Mr. LUO Tong and Mr. WONG King On, Samuel.

* *For identification purposes only*