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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 TRANSACTION — LEASE AGREEMENT

THE LEASE AGREEMENT

The Board is pleased to announce that on October 15, 2021, Alibaba Health Pharmaceutical Chain (as tenant) entered into the Lease Agreement with Hangzhou Chuanfu (as landlord) in respect of the leasing of the Premises for a term of three years from the Commencement Date.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 “Leases”, the Company will recognise the value of the right-of-use asset in connection with the Lease Agreement on its consolidated statement of financial position. Accordingly, the entering into of the Lease Agreement will be regarded as an acquisition of asset by the Group under Rule 14A.24(1) of the Listing Rules.

Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Holding is the ultimate shareholder of Perfect Advance and Hangzhou Chuanfu is an indirect wholly-owned subsidiary of Alibaba Holding. Hangzhou Chuanfu is therefore a connected person of the Company. Accordingly, the entering into of the Lease Agreement by Alibaba Health Pharmaceutical Chain constitutes a connected transaction of the Company under the Listing Rules.

Since the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the estimated value of the right-of-use asset to be recognised by the Group under the Lease Agreement exceeds 0.1% but less than 5%, the entering into of the Lease Agreement is subject to the reporting and announcement requirements, but exempt from the circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

The Board is pleased to announce that on October 15, 2021, Alibaba Health Pharmaceutical Chain (as tenant) entered into the Lease Agreement with Hangzhou Chuanfu (as landlord) in respect of the leasing of the Premises for a term of three years from the Commencement Date.

LEASE AGREEMENT

The principal terms of the Lease Agreement are set out below.

Date	:	October 15, 2021
Parties	:	(1) Alibaba Health Pharmaceutical Chain (as tenant) (2) Hangzhou Chuanfu (as landlord)
Premises	:	Production plant and ancillary facilities located at Alibaba Pharmaceutical Health Logistics Park, No. 3 Zhiqi Street, Tangxi Town, Linping District, Hangzhou, PRC, with an area of 87,109.2 square metres
Usage of the Premises	:	As a warehouse approved by the medical products administration for storage of pharmaceutical products and medical devices and other reasonable and lawful purposes
Lease term	:	Three years commencing from the Commencement Date
Rent and property management fee	:	Rent and property management fee are subject to progressive increment each year. The total rent and property management fee payable per annum (inclusive of tax) during the term of the Lease Agreement shall be capped at RMB28.5 million, RMB29.7 million and RMB30.9 million, respectively

- Payment terms : Payable within 15 days after Alibaba Health Pharmaceutical Chain has confirmed the amount of rent and property management fee payable to Hangzhou Chuanfu (i) for the period from the Commencement Date to the end of the first calendar quarter, and subsequently (ii) in advance for the next calendar quarter
- Option to renew : Upon the expiry of the Lease Agreement, Alibaba Health Pharmaceutical Chain has an option to renew the lease on the similar terms by notifying Hangzhou Chuanfu one month before the expiry of the lease term

RIGHT-OF-USE ASSET

Under HKFRS 16 “Leases”, the Company is required to recognise a lease as a right-of-use asset and a lease liability. The right-of-use asset represents the Company’s right to use the underlying leased asset over the lease term and the lease liability represents its corresponding obligations to make lease payments (i.e. the rent and certain other charge payments). The value of the right-of-use asset to be recognised by the Company under the Lease Agreement is expected to be approximately RMB180.8 million, which includes the present value of the aggregated lease payments to be made under the Lease Agreement during the lease term (which includes the exercise of the option to renew the lease by Alibaba Health Pharmaceutical Chain) in accordance with HKFRS 16 “Leases”.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENT

Strategically located in Hangzhou, one of the core cities of the Group’s business in eastern China, the Premises is intended to be used by the Group as a warehouse to store its pharmaceutical, medical device and various other health-related products with a view to further strengthening the Group’s supply chain capabilities. As the consultation-to-sales conversation rate for the Group’s pharmaceutical direct sales business continues to rise, the Group considers it necessary to expand its storage capacity so as to maintain the Group’s service efficiency as well as to facilitate distribution and sales of the Group’s direct sales products. This will also enable the Group to purchase more at a time from its suppliers, which will add to its bargaining power with its suppliers, thus reducing its procurement costs and enhancing its profitability.

The terms of the Lease Agreement were determined after arm’s length negotiations between Alibaba Health Pharmaceutical Chain and Hangzhou Chuanfu, with reference to the prevailing market rates, namely the rent payable by Independent Third Parties for leasing comparable properties with similar location, size, land use, conditions and attributes.

Having reviewed the terms of the Lease Agreement, the Directors (including the independent non-executive Directors) are of the view that the terms of the Lease Agreement are fair and reasonable, the transaction under the Lease Agreement is on normal commercial terms or better to the Company and that the entering into of the Lease Agreement is in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

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As Mr. ZHU Shunyan held senior positions in Alibaba Holding or its subsidiaries, he is deemed or may be perceived to have a material interest in the Lease Agreement, and thus has abstained from voting on the Board resolutions in connection with the Lease Agreement. Mr. LI Faguang, who held senior positions in Alibaba Holding or its subsidiaries, had not been appointed as a Director when the Lease Agreement was considered and approved by the Board. Save as disclosed above, no other Directors have a material interest in the Lease Agreement and are required to abstain from voting on the resolutions of the Board approving the same.

INFORMATION ON THE COMPANY AND ALIBABA HEALTH PHARMACEUTICAL CHAIN

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, aiming to realize our mission of “promoting healthy living of 120 years for everyone” by providing accessible and affordable medical and healthcare services to the

public. The Group is primarily engaged in the pharmaceutical direct sales business, pharmaceutical e-commerce platform business, medical and healthcare services business and digital infrastructure business.

Alibaba Health Pharmaceutical Chain is a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company which is primarily engaged in pharmacy business.

INFORMATION ON ALIBABA HOLDING, ALIBABA GROUP AND HANGZHOU CHUANFU

Alibaba Holding is a company incorporated in the Cayman Islands, with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange (Stock Symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 9988). Alibaba Group's mission is to make it easy to do business anywhere. Alibaba Group aims to build the future infrastructure of commerce and envisions that its customers will meet, work and live at Alibaba, and that it aspires to be a good company that will last for 102 years. Alibaba Group's businesses are comprised of commerce, cloud computing, digital media and entertainment and innovation initiatives.

Hangzhou Chuanfu, being a company established in the PRC with limited liability, is an indirect wholly-owned subsidiary of Alibaba Holding and its principal businesses include warehouse services and the management, leasing of industrial and warehouse facilities.

DEFINITIONS

“Alibaba Group”	a group of companies comprising Alibaba Holding and its subsidiaries, but, for the purpose of this announcement, excluding the Group
“Alibaba Health Pharmaceutical Chain”	Alibaba Health Pharmaceutical Chain Co., Ltd.* (阿里健康大藥房醫藥連鎖有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Alibaba Holding”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands, the ultimate controlling shareholder of the Company, with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange (Stock Symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 9988)
“Board”	the board of Directors

“Commencement Date”	the commencement date of the lease term under the Lease Agreement, being November 30, 2021 or any other dates as agreed by the parties in writing
“Company”	Alibaba Health Information Technology Limited, an exempted company incorporated in Bermuda with limited liabilities and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00241)
“connected person”	has the meaning ascribed to it is under the Listing Rules
“Control”	the power or authority, whether exercised or not, to direct the business, management and policies of such 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
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hangzhou Chuanfu”	Hangzhou Chuanfu Health Technology Co., Ltd.* (杭州傳賦健康科技有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Alibaba Holding
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	parties that are independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive, substantial shareholders of the Company, our subsidiaries or any of their respective associates
“Lease Agreement”	the agreement dated October 15, 2021 entered into between Alibaba Health Pharmaceutical Chain and Hangzhou Chuanfu in relation to the leasing of the Premises

“Listing Rules”	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”	the People’s Republic of China
“Premises”	the production plant and ancillary facilities located at Alibaba Pharmaceutical Health Logistics Park, No. 3 Zhiqi Street, Tangxi Town, Linping District, Hangzhou, PRC, with an area of 87,109.2 square metres, which is the subject premises of the Lease Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of a nominal value of HK\$0.01 each in the issued capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	an entity or entities which are Controlled
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“%”	per cent.

* *For identification purpose only*

By Order of the Board
ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED
ZHU Shunyan
Chairman and Chief Executive Officer

Hong Kong, October 15, 2021

As at the date of this announcement, the Board comprises seven Directors, of whom (i) three are executive Directors, namely Mr. ZHU Shunyan, Mr. SHEN Difan and Mr. TU Yanwu; (ii) one is a non-executive Director, namely Mr. LI Faguang; and (iii) three are independent non-executive Directors, namely Mr. LUO Tong, Mr. WONG King On, Samuel and Ms. HUANG Yi Fei (Vanessa).