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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)**

### **CONTINUING CONNECTED TRANSACTIONS — ADVERTISING SERVICES AGREEMENTS**

Since April 1, 2017, members of the Group and Alimama entered into the Existing Advertising Agreements in respect of the provision of Advertising Services to the Group. At the time of entering into the Existing Advertising Agreements, the Directors expected that the annual cap of the aggregate advertising fees to be incurred under the Existing Advertising Agreements would not exceed HK\$3,000,000 and that the applicable percentage ratios would be less than 5%, and therefore the transactions contemplated under each of the Existing Advertising Agreements would be fully exempt continuing connected transactions under Chapter 14A of the Listing Rules.

On January 8, 2018, Hangzhou Lihe and Alibaba Health Technology (China) entered into the Lihe Advertising Services Agreement with Alimama, pursuant to which the Group shall pay Alimama the advertising fees approximately RMB4.2 million in respect of the Advertising Services. In addition, based on the Company's business plans for the fourth quarter of the financial year ending March 31, 2018, the Group now expects that the Revised Annual Cap in respect of the Advertising Services to be paid by the Group from Alimama under the Advertising Services Agreements would be revised to be RMB10 million for the financial year ending March 31, 2018.

Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Holding is the ultimate majority shareholder of Perfect Advance and Alimama is an indirect wholly owned Subsidiary of Alibaba Holding. Accordingly, Alimama is also a connected person of the Group and the transactions contemplated under the Advertising Services Agreements will constitute continuing connected transactions for the Company in accordance with the Listing Rules.

Since each of the Advertising Services Agreements are of the similar nature and have been entered into by the Group with the same party, each of the Advertising Services Agreements shall be aggregated under Rule 14A.81 of the Listing Rules. As each of the applicable percentage ratios calculated with reference to the Revised Annual Cap is less than 5%, the transactions contemplated under the Advertising Services Agreements are subject to the reporting, annual review, and announcement requirements, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## THE EXISTING ADVERTISING AGREEMENTS

### Background

Since April 1, 2017, members of the Group entered into and Alimama, the Existing Advertising Agreements in respect of the provision of the Advertising Services to the Group. At the time of entering into the Existing Advertising Agreements, the Directors expected that the annual cap of the aggregate advertising fees to be incurred under the Existing Advertising Agreements would not exceed HK\$3,000,000 and that the applicable percentage ratios would be less than 5%, and therefore the transactions contemplated under the Existing Advertising Agreements would be fully exempt continuing connected transactions under Chapter 14A of the Listing Rules.

On January 8, 2018, Hangzhou Lihe and Alibaba Health Technology (China) entered into the Lihe Advertising Services Agreement with Alimama, pursuant to which the Group shall pay Alimama the advertising fees of approximately RMB4.2 million in respect of the Advertising Services. In addition, based on the Company's business plans for the fourth quarter of the year ending March 31, 2018, the Group now expects that the Revised Annual Cap in respect of the Advertising Services to be paid by the Group to Alimama would be revised to be RMB10 million for the financial year ending March 31, 2018.

The principal terms of each of the Existing Advertising Agreements are set out below.

### *Zuanshi Services Agreements*

#### *Date*

April 1, 2017

#### *Parties*

- (1) Alibaba Health (HK), Alibaba Health Pharmaceutical and Hangzhou Lihe, each an indirect wholly-owned subsidiary of the Company as the purchaser
- (2) Alimama as the advertising services provider

### *Duration*

The parties agree that the term of each individual agreement shall be effective for one year from April 1, 2017 subject to the renewal upon expiry of the term confirmed by the parties in writing, unless otherwise terminated in accordance with the terms thereunder.

### *Services to be provided, pricing terms and payment terms*

Each of Alibaba Health (HK), Alibaba Health Pharmaceutical and Hangzhou Lihe shall engage Alimama to place advertisements on the various advertising spaces on the Taobao Platforms or other third party platforms in accordance with the standard terms and conditions under the Zuanshi Services Agreements on the online platforms operated by Alimama as amended and published from time to time and shall pay Alimama the advertising fees based on the cost per impression (CPM) model each time when the advertisement is displayed.

The unit price of the advertisement spaces under the Zuanshi Services Agreements is calculated based on the bid price offered by the purchaser with reference to the designated spaces, size, timing, targeted users of the advertisement. The bid prices paid by Alibaba Health (HK), Alibaba Health Pharmaceutical and Hangzhou Lihe range from RMB15 to RMB100 per 1,000 impression, depending on the size, format, timing and displaying media of the advertisement. The bid prices offered by the Group are determined with reference to the commercial circumstances and prices offered by other advertisers who are independent third parties. The advertising fees shall be settled with the relevant purchaser after the advertisements are displayed.

### ***Zhitongche Services Agreements***

#### *Date*

April 1, 2017

#### *Parties*

- (1) Alibaba Health (HK), Alibaba Health Pharmaceutical and Hangzhou Lihe, each an indirect wholly-owned subsidiary of the Company as the purchaser
- (2) Alimama as the advertising services provider

#### *Duration*

The parties agree that the term of each individual agreement shall be effective for one year from April 1, 2017 subject to the renewal upon expiry of the term confirmed by the parties in writing, unless otherwise terminated in accordance with the terms thereunder.

### *Services to be provided, pricing terms and payment terms*

Each of Alibaba Health (HK), Alibaba Health Pharmaceutical and Hangzhou Lihe will purchase and Alimama will provide advertising slots through a keyword bidding process using the Zhitongche Advertising Software on Tmall and other websites supported by Alimama and its affiliates in accordance with the standard terms and conditions under the Zhitongche Services Agreements on the online platforms operated by Alimama as amended and published from time to time.

Each of Alibaba Health (HK), Alibaba Health Pharmaceutical and Hangzhou Lihe shall only pay Alimama advertising fees when users click on the displayed advertisement.

The unit price for each click is charged on cost-per-click (CPC) model based on the bid price offered by the purchaser with reference to the designated spaces, size, timing and targeted users of the advertisements. The advertising fees shall be settled with the relevant purchaser after the displayed advertisements are clicked by the user. The bid prices paid by Alibaba Health (HK), Alibaba Health Pharmaceutical and Hangzhou Lihe range from RMB2 to RMB10 per click, depending on the size, format, timing and displaying media of the advertisement. The bid prices offered by the Group are determined with reference to the commercial circumstances and prices offered by other advertisers who are independent third parties.

### *Yiyebaping Services Agreement*

#### *Date*

November 14, 2017

#### *Parties*

- (1) Hangzhou Lihe, an indirect wholly-owned subsidiary of the Company as the purchaser
- (2) Alimama as the advertising services provider
- (3) Alibaba Health Technology (China), as the agent

#### *Duration*

The period of advertising under the Yiyebaping Services Agreement shall be from November 17, 2017 to December 4, 2017, unless otherwise terminated in accordance with the terms thereunder.

*Services to be provided, pricing policy and payment term*

Pursuant to the Yiyebaping Services Agreement, Hangzhou Lihe will purchase and Alimama will provide various formats of advertisements on the advertising platforms including Taobao Platforms and other third party platforms for the period from November 17, 2017 to December 4, 2017. The advertising materials shall be provided by Hangzhou Lihe at least seven working days prior to the advertisement campaign. The advertising fee was determined based on the CPM model and an estimated 10 million page views. The specific location, timing and frequency of the advertisements displayed on various platforms during the period will be determined by Alimama. The total advertising fees of RMB1 million expenses have been settled on or around November 16, 2017 by Hangzhou Lihe.

The total advertising fees payable under the Yiyebaping Services Agreement is determined with reference to the terms and conditions set out in the standard agreement of Alimama as amended and published from time to time in relation to such advertising services and based on arm's length negotiations with Alimama and are on standard commercial terms similar to those offered to independent third parties.

**THE LIHE ADVERTISING SERVICES AGREEMENT**

*Date*

January 8, 2018

*Parties*

- (1) Hangzhou Lihe, as the purchaser
- (2) Alimama, as the advertising services provider
- (3) Alibaba Health Technology (China), as the agent

*Duration*

The period of advertising under the Lihe Advertising Services Agreement shall be from January 9, 2018 to February 2, 2018, unless otherwise terminated in accordance with the terms thereunder.

*Services to be provided, pricing terms and payment terms*

Terms of the Lihe Advertising Services Agreement are similar to that of the Yiyebaping Services Agreement, pursuant to the Lihe Advertising Services Agreement, Hangzhou Lihe will purchase and Alimama will provide various formats of advertisements on the advertising platforms including Taobao.com and other third party platforms (including Youku website and its relevant softwares) for the period from January 9, 2018 to February 2, 2018. The advertising material shall be provided by Hangzhou Lihe at least

seven working days prior to the advertisement campaign. The advertising fee was determined based on the CPM model and an estimated 99 million page views. The specific location, timing and frequency of the advertisements displayed on various platforms during the period will be determined by Alimama. The total advertising fees of approximately RMB4.2 million will be settled on or before January 23, 2018 by Hangzhou Lihe.

The total advertising fees payable under the Lihe Advertising Services Agreement is determined with reference to the terms and conditions set out in the standard agreement of Alimama as amended and published from time to time in relation to such advertising services and based on arm's length negotiations with Alimama and are on standard commercial terms similar to those offered to independent third parties.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE ADVERTISING SERVICES AGREEMENTS**

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. The Group has identified the need for coordinated marketing and advertising services for the promotion of its products on various e-commerce platforms. The Group believes that the advertising services and resources provided by Alimama is an effective marketing tool and will enable the Group to reach out to more customers and boost the sales of the Group's products. Seeing the success of the advertising services provided by Alimama on the Group's sales for the past months, the Group intends to allocate more resources in advertising services provided by Alimama going forward and consider that the annual cap in respect of the Advertising Services shall be revised upwards.

In light of the above, the Directors (including the independent non-executive Directors) consider that the transactions under the Advertising Services Agreements are conducted in the ordinary and usual course of business of the Group, and that the terms of the each of the Advertising Services Agreements have been negotiated on an arm's length basis, on normal commercial terms, and are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

### **HISTORICAL TRANSACTION AMOUNTS**

The aggregate advertising fees incurred by the Group under the Existing Advertising Agreements for the nine months ended December 31, 2017 based on the management accounts were approximately RMB2.3 million.

## **REVISED ANNUAL CAP AND BASIS FOR DETERMINING THE REVISED ANNUAL CAP**

The Revised Annual Cap covers the aggregate advertising fees to be incurred by the Group under the Advertising Services Agreements.

It is expected that the Revised Annual Cap for the financial year ending March 31, 2018 will not be more than RMB10 million.

The Revised Annual Cap has been estimated primarily based on (i) the historical amount of the Existing Advertising Agreements for the nine months ended December 31, 2017, (ii) the advertising fees under the Lihe Advertising Services Agreement, (iii) the expected increase in marketing campaigns based on the Group's product launch and marketing needs and (iv) the increase in advertising fees in the fourth quarter of the financial year ending March 31, 2018 under the Existing Advertising Agreements.

The Directors (including the independent non-executive Directors) consider that the Revised Annual Cap is fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

## **INTERNAL CONTROLS FOR THE GROUP'S CONTINUING CONNECTED TRANSACTIONS**

The Company has adopted adequate internal control measures to comply with the Listing Rules requirements with respect to the supervision and monitoring of the annual caps of the transactions contemplated under the continuing connected transaction agreements. The finance department of the Company has been collecting and will continue to (i) collect information on the actual transactions conducted with the relevant parties, and the corresponding advertising fees incurred on a monthly basis and (ii) update such information to the legal department and the chief financial officer of the Company, to monitor these transaction amounts.

The Company will continue to closely monitor the implementation of the Advertising Services Agreements and any new agreements in respect of the Advertising Services and take prompt actions to make necessary disclosures and obtain independent shareholders approval in the event that any further adjustment to the Revised Annual Cap becomes foreseeable.

The Company's external auditors will review the continuing connected transactions under each of the Advertising Services Agreements annually to check and confirm (among others) whether the pricing terms have been adhered to and whether the relevant caps have been exceeded.

The independent non-executive Directors will review the continuing connected transactions under the Advertising Services Agreements annually to check and confirm whether such continuing connected transactions have been conducted in the ordinary and



usual course of business of the Group, on normal commercial terms, in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions are conducted in accordance with the pricing policies set out in such relevant agreements.

## **LISTING RULES IMPLICATIONS**

Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Holding is the ultimate majority shareholder of Perfect Advance and Alimama is an indirect wholly-owned Subsidiary of Alibaba Holding. Accordingly, Alimama is also a connected person of the Company and the transactions contemplated under the Advertising Services Agreements constitute continuing connected transactions for the Company in accordance with the Listing Rules.

Since each of the Advertising Services Agreements is of the similar nature and has been entered into by the Group with the same party, each of the Advertising Services Agreements shall be aggregated under Rule 14A.81 of the Listing Rules.

As each of the applicable percentage ratios calculated with reference to the Revised Annual Cap is less than 5%, the transactions under the Advertising Services Agreements are subject to the reporting, annual review and announcement requirements, but exempt from independent shareholder's approval requirements, pursuant to Chapter 14A of the Listing Rules.

As Mr. Wu Yongming, Mr. Kang Kai 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 Advertising Services Agreements. Accordingly, they had abstained from voting on the resolutions in connection with the continuing connected transaction under the Advertising Services Agreements and the Revised Annual Cap. Other than the aforesaid Directors, no other Directors have a material interest in the transactions contemplated under the Advertising Services Agreements and are not requested to abstain from voting on the resolutions approving the same.

## **INFORMATION ABOUT THE GROUP AND ALIMAMA**

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 the provision of healthcare product sales and services, product tracking services, and intelligent medicine and health management services.



Alimama operates Alibaba Group’s marketing technology platform, through which it provides the publisher-side serving and demand-side functionalities for merchants and brands to place various marketing formats on Alibaba Group’s marketplaces and other third-party properties.

## **DEFINITIONS**

“Advertising Services”	the advertising services provided by Alimama to the Group under the Advertising Services Agreements
“Advertising Services Agreements”	the Zuanshi Services Agreements, the Zhitongche Services Agreements, the Yiyebaping Services Agreement and the Lihe Advertising Services Agreement
“Alibaba Group”	the group of companies comprising Alibaba Holding and its Subsidiaries, for the purpose of this announcement, excluding the Group
“Alibaba Health (HK)”	Alibaba Health (Hong Kong) Technology Company Limited, an indirect wholly-owned subsidiary of the Company
“Alibaba Health Pharmaceutical”	Alibaba Health Pharmaceutical Chain Co., Ltd.* (阿里健康大藥房醫藥連鎖有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Alibaba Health Technology (China)”	Alibaba Health Technology (China) Company Limited* (阿里健康科技(中國)有限公司), 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, and the American depositary shares of which are listed on the New York Stock Exchange
“Alimama”	Hangzhou Alimama Software Services Co., Ltd.* (杭州阿里媽媽軟件服務有限公司), a company incorporated in the PRC and an indirect wholly-owned Subsidiary of Alibaba Holding
“Board”	the board of directors of the Company
“Company”	Alibaba Health Information Technology Limited (阿里健康信息技術有限公司), a company incorporated in Bermuda, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 00241)
“Director(s)”	member(s) of the Board

“Existing Advertising Agreements”	the Zuanshi Services Agreements, the Zhitongche Services Agreements and the Yiyebaping Services Agreement
“Group”	the Company and each of its Subsidiaries from time to time
“Hangzhou Lihe”	Hangzhou Lihe Pharmaceutical Co., Ltd.* (杭州禮和醫藥有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Lihe Advertising Services Agreement”	the advertising agreement entered into between Hangzhou Lihe, Alimama and Alibaba Health Technology (China) on January 8, 2018
“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 non-wholly-owned Subsidiary of Alibaba Holding
“PRC”	the People’s Republic of China
“Revised Annual Cap”	the revised annual cap in respect of the Advertising Services to be provided by Alimama to the Group under the Advertising Services Agreements
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	ordinary shares in the issued capital of the Company with a nominal value of HK\$0.01
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subsidiary”	includes, in relation to any person: (i) any company or business entity of which that person owns or controls (either directly or through one or more other subsidiaries) more than 50% of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or business entity; (ii) any company or business entity of which that person owns or controls (either directly or through one or more other subsidiaries, by contract or otherwise) not more than 50% of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or business entity but effectively controls (either directly or through one or more other Subsidiaries) the management or the direction of business operations of such company or business entity; and (iii) any company or business entity which at any time has its accounts consolidated with those of that person or which, under Hong Kong law or any other applicable law, regulations or the Hong Kong Financial Reporting Standards or such other generally accepted accounting principles or standards as may be applicable to that person from time to time, should have its accounts consolidated with those of that person
“Taobao Platforms”	the online platforms for brands and retailers operated by Alibaba Group, including but not limited to Taobao.com, Tmall.com and Etao.com
“Tmall”	a third party online platform for brands and retailers operated by Alibaba Group under the domain name Tmall.com (or such other URLs as may be used by Tmall, 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)
“Yiyebaping Services Agreement”	the advertising services agreement entered into between each of Hangzhou Lihe as the purchaser, Alimama as the advertising services provider and Alibaba Health Technology (China) as the agent
“Zhitongche Advertising Software”	the advertising software provided by Alimama

“Zhitongche Services Agreements”	each of the advertising services agreements entered into between each of Alibaba Health (HK), Alibaba Health Pharmaceutical and Hangzhou Lihe as purchaser, respectively, and Alimama as the advertising services provider in respect of the advertising services using the Zhitongche Advertising Software
“Zuanshi Services Agreements”	each of the advertising services agreements entered into between each of Alibaba Health (HK), Alibaba Health Pharmaceutical and Hangzhou Lihe as purchaser, respectively, and Alimama as the advertising services provider
“%”	per cent

\* *For identification purpose only*

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

Hong Kong, January 8, 2018

*As at the date of this announcement, the Board comprises seven directors, of whom (i) one is an executive Director, namely Mr. WANG Lei; (ii) three are non-executive Directors, namely Mr. WU Yongming, Mr. KANG Kai and Ms. ZHANG Yu; and (iii) three are independent non-executive Directors, namely Mr. YAN Xuan, Mr. LUO Tong and Mr. Samuel King On WONG.*