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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Alibaba Health Information Technology Limited (the “**Company**” or “**Alibaba Health**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended September 30, 2020 (the “**Reporting Period**”) together with comparative figures for the corresponding period of the preceding year. The interim condensed consolidated financial statements have been reviewed by the audit committee of the Company.

HIGHLIGHTS

- During the Reporting Period, the Group reported revenue and gross profit of RMB7,162.0 million and RMB1,860.3 million, representing a significant year-on-year growth of 74.0% and 80.3%, respectively. The strong growth in revenue and gross profit was attributable to the rapid growth of the pharmaceutical direct sales business and the pharmaceutical e-commerce platform business during the Reporting Period.

- The following table sets out the composition of the Group's revenue during the periods indicated:

	Six months ended		Change
	September 30,		
	2020	2019	
	RMB'000	RMB'000	%
Revenue	7,162,031	4,116,846	74.0
— Pharmaceutical direct sales business	6,036,024	3,435,166	75.7
— Pharmaceutical e-commerce platform business	925,383	539,991	71.4
— Medical and healthcare services business*	175,929	122,736	43.3
— Tracking and digital health business	24,695	18,953	30.3

* Consumer healthcare business, Internet healthcare business and other business (other than pharmaceutical direct sales business, pharmaceutical e-commerce platform business and tracking and digital health business) have been redefined as medical and healthcare services business to better reflect our business classification, and the details of revenue for the six months ended September 30, 2019 have been adjusted accordingly.

- During the Reporting Period, the Group's profit amounted to approximately RMB278.6 million, increasing by RMB286.2 million from a loss of RMB7.6 million for the corresponding period of the preceding year. The Group's adjusted net profit^(note 1) amounted to RMB435.8 million, representing a year-on-year growth of 286.4%. Such turnaround from loss to profit was mainly attributable to, among other things, (i) the rapid growth in the number of users of the Group's multiple businesses as a result of enhanced awareness of "Internet + Health", (ii) the benefits arising from the Group's acquisition of e-commerce platform business of pharmaceutical products categories from Ali JK Nutritional Products Holding Limited, which was completed in April 2020, and (iii) the rapid growth in revenue and gross profit of the pharmaceutical direct sales business and the enhanced efficiency and cost optimization driven by the economies of scale. Net cash flows from operating activities also continued to increase and reached RMB566.4 million for the Reporting Period. The Group's profitability continued to improve, which will lay a solid foundation for our further investments and deployments in prescription drug and chronic disease services, medical and healthcare services, medical and pharmaceutical digital infrastructure and other long-term businesses.

- During the Reporting Period, the gross merchandise volume (GMV) generated by Tmall’s Pharmaceutical Platform as operated by the Group exceeded RMB55.4 billion, representing a year-on-year growth of 49.7%. Annual active users (AAU) of Tmall’s Pharmaceutical Platform (consumers who made one or more actual purchase(s) on Tmall’s Pharmaceutical Platform in the past 12 months) as at September 30, 2020 exceeded 250 million.
- During the Reporting Period, the Group’s pharmaceutical direct sales business continued to grow significantly, with a year-on-year growth of 75.7% in revenue, in which our online direct sales of over-the-counter (OTC) and prescription drugs had contributed 61.7% of the revenue generated from the pharmaceutical direct sales business. Our direct online stores accumulated more than 65 million annual active users (consumers who made one or more actual purchase(s) on our direct online stores in the past 12 months) as at September 30, 2020. In the meantime, the Group continued to actively expand our cooperation with recognized upstream brands, with over 100 flagship stores established on Tmall’s Pharmaceutical Platform. In September 2020, our direct stores joined hands with Chinese Medical Association to launch the Drug Safety Program for Chinese Households^ (中國家庭安全用藥計劃) and make the Artificial Intelligence (AI) system for drug safety available to the whole industry. During the Reporting Period, the Group furthered its efforts in operating the Chronic Disease Welfare Program^ (慢病福利計劃), and developed an effective program for providing services to users with chronic diseases during their life cycle. The launch and accelerated deployment of the direct prescription drug sales business will provide the Group with a new momentum for long-term, sustainable and rapid development.
- During the Reporting Period, the Group reorganized its business in Internet healthcare by combining its Internet healthcare business, consumer healthcare business and other business as the medical and healthcare services business, providing online and offline medical and healthcare services through “Dr. Deer”^ (醫鹿) APP and Alipay to build an Internet-based tiered medical system, and to provide multi-faceted, multi-level, professional and convenient services for end-users of, among others, Taobao, Tmall, Alipay, “Dr. Deer” APP and Quark search. As at the end of the Reporting Period, over 39,000 doctors at intermediate or above rankings in professional titles, including chief doctors, associate-chief doctors, and attending doctors had signed up with the Group to provide online healthcare services, representing an increase of nearly 10,000 doctors within the Reporting Period.

- The outbreak of COVID-19 had highlighted the demand for online medical services. In order to provide a solution to such issue, the Group has launched a standalone medical and healthcare APP, namely “Dr. Deer” APP which focuses on providing services such as medical information search, medical consultation, medical appointment, vaccination appointment, health screening appointment and drug express delivery, aiming to provide users with one-stop convenient online medical and healthcare services.
- During the Reporting Period, the Group continued its exclusive operation of the healthcare channel established for Alipay users. As at September 30, 2020, Alipay had over 35,000 contracted medical institutions, including more than 4,000 Class II and Class III hospitals, and over 700 Class III hospitals in 27 provinces across the country had been connected to medical insurance reimbursement services. The Group had implemented a series of measures to provide easy and convenient services to the public during the pandemic, including, among others, anti-COVID-19 information and education and online medical consultation. Driven by such measures, the number of active users of our medical and healthcare services continued to increase rapidly. From April to September 2020, the net number of active users of Alipay’s healthcare channel grew to more than 330 million on an accumulative basis.
- During the Reporting Period, the Group continued to build an ecosystem in the medical and healthcare services industry, covering vaccines, health screening, etc. As at the end of the Reporting Period, the Group had established cooperation with more than 2,700 public and private medical examination centers, providing consumer-grade and professional/medical-grade examinations, which support diversified examination methods, such as onsite exam, home visit exam and sample delivery exam, and provides diversified products and services through “Dr. Deer” APP, Tmall, Alipay, DingTalk and other channels. During the Reporting Period, the nucleic acid testing services offered by the Group had been made available in more than 100 cities to satisfy the needs of multiple groups of people. In the vaccination segment, the Group stepped up deployment of its “vaccine booking service platform” + “vaccine ecosystem” initiative. During the Reporting Period, Alibaba Health’s Immunization Planning Center released Vaccine Service Platform 2.0, making its platform services available to all vaccination centers across the country.

- During the Reporting Period, the Group continued to deepen its exploration in digital health field in collaboration with governments and hospitals and vigorously promote the construction of digital infrastructure for medical industry. Through its related company, Seenew Medical^(note 2), the Group is dedicated to the construction of smart hospital information system for medical institutions and to the development of new digital infrastructure for regional medical and healthcare services that covers comprehensive business processes including medical care, public health and management. During the Reporting Period, the “Future Hospital” information system, jointly built by Alibaba Health, Seenew Medical and FAHZU, was officially launched in Yuhang Campus of FAHZU, making FAHZU the first smart hospital to enter the era of cloud computing. In October 2020, the county-level cloud-based smart healthcare management platform of Weishan County, built by Seenew Medical, was reviewed and approved by Health Commission of Yunnan Province. Meanwhile, Seenew Medical had officially launched the smart cloud-based medical management system in Tiantai County, Zhejiang Province, making it the first county to use cloud-based system to manage the medical services and facilities.
- During the Reporting Period, as the digital infrastructure tool for tracking in the pharmaceutical distribution industry, the Group implemented multiple innovative explorations for our Ma Shang Fang Xin[^] (碼上放心) business. In respect of industry development, we started to provide full traceability services for medical devices and traditional Chinese medicine (TCM) decoction pieces. In the field of non-drug tracking, we continued to provide tracking services for various industries including nutritional products, healthcare supplements, food, fresh produce, milk powder and wines, providing tracking services for more than 2,000 brands. For research and development of new drugs, our tracking code business made breakthrough in terms of the application in clinical trials. These progresses will enhance our position and realize business value in the tracking and digital health business in healthcare industry.

Notes:

¹ Adjusted net profit is based on the profit/loss for the corresponding period after excluding non-operating profit or loss items such as share-based compensation expenses, change in fair value of financial assets at fair value through profit or loss (non-current portion), gain or loss on deemed partial disposal of associates, and gain or loss on disposal of associates.

² Pursuant to a capital increase agreement and an equity transfer agreement dated September 23, 2020, Hongyun Jiukang, a subsidiary of the Company, agreed to transfer its 80% equity interest in Seenew Medical to the Target Company as in-kind contribution. For details, please refer to the section headed “Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures” in this announcement.

KEY FINANCIAL FIGURES

	Six months ended September 30,		Change %
	2020 RMB'000	2019 RMB'000	
Revenue	7,162,031	4,116,846	74.0
— Pharmaceutical direct sales business	6,036,024	3,435,166	75.7
— Pharmaceutical e-commerce platform business	925,383	539,991	71.4
— Medical and healthcare services business ^{note 1}	175,929	122,736	43.3
— Tracking and digital health business	24,695	18,953	30.3
Gross profit	1,860,316	1,031,660	80.3
Gross profit margin	26.0%	25.1%	N/A
Profit/(loss) for the period	278,554	(7,629)	N/A
Excluding			
— Share-based compensation expenses	198,514	147,156	34.9
— Fair value (gains)/losses on financial assets at fair value through profit or loss (“FVPL”), net of tax	(34,444)	6,605	N/A
— Gain on deemed partial disposal of associates, net of tax	(6,865)	(17,027)	(59.7)
— Gain on disposal of an associate, net of tax	—	(16,343)	(100.0)
	<u> </u>	<u> </u>	<u> </u>
Adjusted net profit ^{note 2}	<u>435,759</u>	<u>112,762</u>	<u>286.4</u>

Notes:

- Consumer healthcare business, Internet healthcare business and other business (other than pharmaceutical direct sales business, pharmaceutical e-commerce platform business and tracking and digital health business) have been redefined as medical and healthcare services business to better reflect our business classification, and the details of revenue for the six months ended September 30, 2019 have been adjusted accordingly.
- Adjusted net profit is based on the profit/loss for the corresponding period after excluding non-operating profit or loss items such as share-based compensation expenses, change in fair value of financial assets at fair value through profit or loss (non-current portion), gain or loss on deemed partial disposal of associates, and gain or loss on disposal of associates. It will help investors to better compare our operational performance across various periods by excluding the impact of items which are not indicative to our core operational results.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended September 30, 2020

		Six months ended September 30,	
		2020	2019
	<i>Notes</i>	Unaudited RMB'000	Unaudited RMB'000
REVENUE	4	7,162,031	4,116,846
Cost of sales		(5,301,715)	(3,085,186)
Gross profit		1,860,316	1,031,660
Other income and gains	5	142,811	63,922
Operating expenses			
Fulfillment	6	(749,449)	(467,029)
Sales and marketing expenses		(508,737)	(333,252)
Administrative expenses		(143,003)	(105,075)
Product development expenses		(229,449)	(135,138)
Other expenses		(7,567)	(6,236)
Finance cost	7	(1,580)	(19,462)
Share of losses of:			
Joint ventures	8	(5,694)	(5,344)
Associates	9	(33,207)	(18,418)
PROFIT BEFORE TAX	10	324,441	5,628
Income tax expense	11	(45,887)	(13,257)
PROFIT/(LOSS) FOR THE PERIOD		278,554	(7,629)
Attributable to:			
Owners of the parent		283,431	(1,102)
Non-controlling interests		(4,877)	(6,527)
		278,554	(7,629)
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT	13		
Basic		RMB2.17 cents	RMB(0.01) cents
Diluted		RMB2.16 cents	RMB(0.01) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended September 30, 2020

	Six months ended September 30,	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
PROFIT/(LOSS) FOR THE PERIOD	<u>278,554</u>	<u>(7,629)</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive (loss)/income will be reclassified to profit or loss in subsequent periods:		
Translation from functional currency to presentation currency	(206,545)	75,307
Other comprehensive (loss)/income will not be reclassified to profit or loss in subsequent periods:		
Equity investment designated at fair value through other comprehensive income (“FVOCI”):		
Changes in fair value	(18,484)	9,080
Income tax effect	<u>1,848</u>	<u>(908)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(223,181)</u>	<u>83,479</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>55,373</u>	<u>75,850</u>
Attributable to:		
Owners of the parent	60,250	82,377
Non-controlling interests	<u>(4,877)</u>	<u>(6,527)</u>
	<u>55,373</u>	<u>75,850</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2020

	September 30, 2020	March 31, 2020
	Unaudited	Audited
<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property and equipment	12,850	12,999
Investment property	3,275	10,599
Right-of-use assets	48,431	59,333
Goodwill	54,576	54,576
Other intangible assets	3,986	4,467
Investments in joint ventures	105,553	111,247
Investments in associates	1,936,381	1,945,789
Long-term receivables	7,205	21,732
Equity investment designated at FVOCI	148,682	173,456
Financial assets at FVPL	508,698	462,778
	<u>2,829,637</u>	<u>2,856,976</u>
TOTAL non-current assets		
CURRENT ASSETS		
Inventories	1,181,741	1,217,258
Trade and bills receivables	14 340,262	324,541
Prepayments, other receivables and other assets	538,061	413,492
Financial assets at FVPL	—	402,485
Restricted cash	18,843	60,239
Cash and cash equivalents	12,267,628	2,594,981
	<u>14,346,535</u>	<u>5,012,996</u>
TOTAL current assets		
CURRENT LIABILITIES		
Lease liabilities	25,768	32,030
Trade and bills payables	15 1,918,229	1,865,526
Other payables and accruals	536,940	513,250
Contract liabilities	160,085	171,280
Tax payable	38,749	27,817
	<u>2,679,771</u>	<u>2,609,903</u>
TOTAL current liabilities		
NET CURRENT ASSETS		
	<u>11,666,764</u>	<u>2,403,093</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		
	<u>14,496,401</u>	<u>5,260,069</u>

	September 30, 2020 Unaudited RMB'000	March 31, 2020 Audited RMB'000
NON-CURRENT LIABILITIES		
Deferred tax liabilities	37,325	19,829
Lease liabilities	<u>21,436</u>	<u>37,725</u>
Total non-current liabilities	<u>58,761</u>	<u>57,554</u>
Net assets	<u><u>14,437,640</u></u>	<u><u>5,202,515</u></u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	118,563	106,108
Treasury shares	(5,357)	(13,039)
Reserves	<u>14,354,466</u>	<u>5,176,076</u>
	14,467,672	5,269,145
Non-controlling interests	<u>(30,032)</u>	<u>(66,630)</u>
Total equity	<u><u>14,437,640</u></u>	<u><u>5,202,515</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2020

1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended September 30, 2020 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended March 31, 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs” (which include all HKFRSs, HKASs and Interpretations)).

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended March 31, 2020, except for the adoption of the following revised HKFRSs for the first time for the current period’s financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after April 1, 2020. The amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendments to HKFRS 16 provide a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before June 30, 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after June 1, 2020 with earlier application permitted.

During the period ended September 30, 2020, certain monthly lease payments for the leases of the Group's offices and retail outlets have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendments on April 1, 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the period ended September 30, 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB187,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended September 30, 2020.

- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3 OPERATING SEGMENT INFORMATION

The Group is primarily engaged in pharmaceutical direct sales business, pharmaceutical e-commerce platform business, medical and healthcare services business and tracking and digital health business. Given that the chief operating decision maker of the Company considers that the Group's business mentioned above is operated and managed as a single segment, accordingly, no segment information is presented.

Geographical information

(a) Revenue from external customers

	Six months ended September 30,	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
Mainland China	6,911,668	3,988,437
Hong Kong	250,363	128,409
	<u>7,162,031</u>	<u>4,116,846</u>

The revenue information above is based on the locations of the customers for whom services are provided, or the locations of the warehouses from which inventories are shipped.

(b) Non-current assets

	September 30,	March 31,
	2020	2020
	Unaudited	Audited
	RMB'000	RMB'000
Mainland China	2,010,025	2,047,963
Hong Kong	155,027	151,047
	<u>2,165,052</u>	<u>2,199,010</u>

The non-current asset information above is based on the locations of the assets and excludes equity investment designated at FVOCI, financial assets at FVPL and long-term receivables.

Information about a major customer

During the periods ended September 30, 2020 and 2019, there was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group's revenue.

4 REVENUE

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

An analysis of revenue is as follows:

	Six months ended September 30,	
	2020	2019
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Pharmaceutical direct sales business	6,036,024	3,435,166
Pharmaceutical e-commerce platform business	925,383	539,991
Medical and healthcare services business*	175,929	122,736
Tracking and digital health business	24,695	18,953
	<u>7,162,031</u>	<u>4,116,846</u>
Total	<u>7,162,031</u>	<u>4,116,846</u>

Revenue from contracts with customers

Disaggregated revenue information

	Six months ended September 30,	
	2020	2019
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Type of goods or services:		
Sales of products	5,709,524	3,271,829
Provision of services	1,452,507	845,017
	<u>7,162,031</u>	<u>4,116,846</u>
Total revenue from contracts with customers	<u>7,162,031</u>	<u>4,116,846</u>
Timing of revenue recognition:		
At a point in time	6,774,746	3,911,563
Over time	387,285	205,283
	<u>7,162,031</u>	<u>4,116,846</u>
Total revenue from contracts with customers	<u>7,162,031</u>	<u>4,116,846</u>

Note:

- * Consumer healthcare business, Internet healthcare business and other business (other than pharmaceutical direct sales business, pharmaceutical e-commerce platform business and tracking and digital health business) have been redefined as medical and healthcare services business to better reflect our business classification, and the details of revenue for the six months ended September 30, 2019 have been adjusted accordingly.

5 OTHER INCOME AND GAINS

	Six months ended September 30,	
	2020	2019
	Unaudited RMB'000	Unaudited RMB'000
Other Income		
Bank interest income	62,068	16,672
Government grants	14,570	1,975
Rental income from investment property operating leases	3,997	4,237
Management fee income from a joint venture	4,545	—
Dividend income from financial asset at FVPL	1,363	—
Foreign exchange difference, net	—	1,783
Other interest income	513	—
Others	225	437
	<u>87,281</u>	<u>25,104</u>
Gains		
Gain on deemed partial disposal of associates	8,679	17,027
Gain on disposal of an associate [#]	—	21,791
Fair value gains on financial assets at FVPL	46,851	—
	<u>55,530</u>	<u>38,818</u>

[#] On March 29, 2019, Hongyun Jiukang Data Technology (Beijing) Company Limited[^] (弘雲久康數據技術(北京)有限公司) (“**Hongyun Jiukang**”), a subsidiary of the Company, entered into an equity transfer agreement with a wholly-owned subsidiary of Jiahe Meikang (Beijing) Technology Co., Ltd.[^] (嘉和美康(北京)科技股份有限公司) (“**Jiahe Meikang**”), an associate of Hongyun Jiukang, pursuant to which 45% equity interests of Beijing Jiamei Online Technology Co., Ltd.[^] (北京嘉美在線科技有限公司) held by Hongyun Jiukang were transferred to a wholly-owned subsidiary of Jiahe Meikang, for a total cash consideration of approximately RMB53,042,000.

The transaction was completed and the cash consideration of RMB53,042,000 was fully received during the six months ended September 30, 2019.

6 FULFILLMENT

Fulfillment primarily consists of those costs incurred in warehousing, logistics, operation and customer services, which are associated with the Group’s online direct sales business.

7 FINANCE COST

Finance cost is interest on lease liabilities and interest-bearing borrowings of the Group.

8 SHARE OF LOSSES OF JOINT VENTURES

The Group recorded share of losses from existing joint ventures for the six months ended June 30, 2020 and 2019.

9 SHARE OF LOSSES OF ASSOCIATES

The Group recorded share of losses from existing associates for the six months ended June 30, 2020 and 2019, except for Dongfang Customs Technology Company Limited[^] (東方口岸科技有限公司), from which the Group recorded share of profits for the six months ended September 30, 2020 and 2019.

10 PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended September 30,	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
Cost of goods sold*	4,516,205	2,646,318
Cost of services provided* (excluding employee benefit expense and share-based compensation expenses)	772,434	427,547
Depreciation of property and equipment	1,394	2,318
Depreciation of right-of-use assets	11,886	15,464
Depreciation of investment property	3,276	—
Amortisation of intangible assets	978	1,104
Fair value (gains)/losses on financial assets at FVPL [#]	(46,851)	6,605
Impairment/(reversal of impairment) of inventories*	1,364	(1,362)
Reversal of impairment of trade receivables [#]	(63)	(1,227)
Write-off of inventories [#]	3,745	—
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	235,599	196,821
Pension scheme contributions	6,211	12,643
Share-based compensation expenses	198,514	147,156
	<u>440,324</u>	<u>356,620</u>
Foreign exchange differences, net	3,545	(1,783)

[#] These items are included in "Other income and gains" and "Other expenses" in the interim condensed consolidated statement of profit or loss.

* These items are included in "Cost of sales" in the interim condensed consolidated statement of profit or loss.

11 INCOME TAX EXPENSE

	Six months ended September 30,	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
Current — Hong Kong		
Charge for the period	4,625	—
Current — Mainland China		
Charge for the period	23,613	21,181
Overprovision in prior years	(1,695)	(12,122)
Deferred	19,344	4,198
	<hr/>	<hr/>
Total tax charge for the period	<u>45,887</u>	<u>13,257</u>

Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended September 30, 2019: 16.5%) on the estimated assessable profits arising in Hong Kong. During the period, provision of RMB4,625,000 for Hong Kong profits tax has been made for assessable profits arising in Hong Kong (for the six months ended September 30, 2019: Nil).

In general, the PRC subsidiaries of the Company are subject to the PRC corporate income tax rate of 25% except for one PRC subsidiary which is entitled to a preferential tax rate of 15%, and one PRC subsidiary which is entitled to the preferential tax treatment of the income tax exemptions policy during the year of 2018 and 2019, and is entitled to a preferential tax rate of 15% since 2020. An income tax reversal of RMB9,500,000 was recorded by one PRC subsidiary for the period ended September 30, 2019 after the approval of the preferential tax treatment for prior year taxable income was obtained.

Deferred income tax represents withholding tax on the distributable profits of the Group's associates and tax impact of temporary difference arising from the Group's operation.

12 DIVIDENDS

The Board has resolved that no interim dividend be declared for the six months ended September 30, 2020 (for the six months ended September 30, 2019: Nil).

13 EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the period attributable to owners of the parent of RMB283,431,000 (for the six months ended September 30, 2019: RMB(1,102,000)), and the weighted average number of ordinary shares of approximately 13,038,227,696 in issue during the period (for the six months ended September 30, 2019: 11,835,917,067).

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to owners of the parent of RMB283,431,000. The weighted average number of ordinary shares used in such calculation is the number of ordinary shares of 13,038,227,696 in issue during the period (same as those used in the basic earnings/(loss) per share calculation), and the weighted average number of 83,063,768 ordinary shares assumed to have been issued at no consideration on the deemed exercise or vest of all dilutive potential ordinary shares into ordinary shares.

14 TRADE AND BILLS RECEIVABLES

	September 30, 2020 Unaudited RMB'000	March 31, 2020 Audited RMB'000
Trade receivables	356,399	319,278
Bills receivable	<u>10,708</u>	<u>32,171</u>
	367,107	351,449
Impairment	<u>(26,845)</u>	<u>(26,908)</u>
	<u><u>340,262</u></u>	<u><u>324,541</u></u>

The Group's trading terms with some of its customers are on credit. The Group provides credit periods from 30 to 90 days. Trade receivables are settled in accordance with the terms of the respective contracts. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

Included in the Group's trade and bills receivables as at September 30, 2020 are amounts due from subsidiaries of Alibaba Group of approximately RMB87,361,000 (March 31, 2020: RMB80,178,000) and the Group's associates of approximately RMB1,832,000 (March 31, 2020: RMB24,394,000), which are repayable on credit terms similar to those offered to major customers of the Group.

An aging analysis of the trade receivables as at the end of the Reporting Period, based on the invoice date and net of provisions, is as follows:

	September 30, 2020 Unaudited RMB'000	March 31, 2020 Audited RMB'000
Within 3 months	228,084	266,972
3 to 12 months	97,822	25,398
Over 12 months	<u>3,648</u>	<u>—</u>
	<u><u>329,554</u></u>	<u><u>292,370</u></u>

15 TRADE AND BILLS PAYABLES

An aging analysis of the trade and bills payables as at the end of the Reporting Period, based on the invoice date or issue date, is as follows:

	September 30, 2020 Unaudited RMB'000	March 31, 2020 Audited RMB'000
Within 3 months	1,351,018	973,060
3 to 12 months	368,243	683,915
Over 12 months	198,968	208,551
	<u>1,918,229</u>	<u>1,865,526</u>

The trade payables are non-interest bearing and are normally settled on credit periods from 30 to 90 days.

Included in the Group's trade payables as at September 30, 2020 are amounts due to subsidiaries of Alibaba Group of approximately RMB864,876,000 (March 31, 2020: RMB950,468,000), which are repayable on credit terms similar to those offered by the related companies to their major customers.

16 SUBSEQUENT EVENTS

Capital Increase Agreement and Equity Transfer Agreement

On September 23, 2020, the Group, through its subsidiary, Alibaba Health Technology (Beijing) Company Limited[^] (阿里健康科技(北京)有限公司) and Hongyun Jiukang, entered into a capital increase agreement with, among others, Come Future Technology (Zhejiang) Company Limited[^] (來未來科技(浙江)有限公司) (“**Come Future**”), a limited liability company established in the PRC, pursuant to which the Group shall inject RMB216,000,000 in cash into Come Future and make in-kind contribution equivalent to RMB28,800,000 to Come Future by transferring its 80% equity interest in Seenew Medical (the “**Equity Transfer**”), a limited liability company established in the PRC, to Come Future. On the same day, Hongyun Jiukang entered into an equity transfer agreement with Come Future for the Equity Transfer. Immediately upon completion of the capital increase agreement and equity transfer agreement, the registered capital of Come Future shall increase to RMB19,569,471 and the Group shall hold a total of 30% equity interests of Come Future. For details, please refer to the section headed “Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures” in this announcement.

17 APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the Board on November 25, 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As the healthcare flagship of Alibaba Group Holding Limited (“**Alibaba Holding**”, together with its subsidiaries, “**Alibaba Group**”), the Group, whose mission is to “make good health achievable at the fingertips”, continues to consolidate its established advantages in pharmaceutical and healthcare businesses, while focusing on future deployment. With the vision of “facilitating medicine through big data and using the Internet to change health to provide fair, affordable and accessible medical and healthcare services to 1 billion people”, the Group has been dedicated to establishing a reliable and affordable healthcare services system under our commitment to the achievement of “good medicines, renowned doctors and assurance” by means of technological and business model innovations. The Group continues to actively expand its pharmaceutical and healthcare product and service sales business, and its Internet-based medical and healthcare services platform based on mobile Internet and AI technology, to promote the reform and upgrade of information technology for local medical services, so as to support the traditional medical industry to establish its new digital infrastructure.

Cloud-based pharmacy business

With users as the core of the cloud-based pharmacy business, we have been promoting the pharmaceutical direct sales business, the business of Tmall’s Pharmaceutical Platform and the new retail business on an omni-channel basis through combining quality supplies to build an integrated health management platform that combines online and offline medical services for users with healthcare needs. During the Reporting Period, we had further developed our business from a pharmaceutical e-commerce sales platform to a health management services platform. On one hand, we continued to actively expand our cooperation with recognized upstream brands, and further strengthen our business partnerships with pharmaceutical, nutritional and healthcare product manufacturers and major domestic pharmaceutical distributors. As at the end of the Reporting Period, the Group was authorized to undertake the management of or open more than 100 franchised flagship stores on Tmall platform, helping these brands to achieve favorable sales performance on Tmall’s Pharmaceutical Platform. On the other hand, we provided consumers with comprehensive online healthcare services and solutions through programs such as Chronic Disease Welfare Program^ (慢病福利計劃), medical consultation services by physicians and pharmacists and “Drug Safety Program for Chinese Households”.

The Group has been actively utilizing Internet technologies and Internet of Things technologies to build a whole-value-chain omni-channel for the supply of healthcare products and a new retail system. Capitalizing on its established online platform advantages and its understanding of the market and its users, the Group connects upstream industry chain players (e.g. manufacturers and leading distributors) to offline pharmaceutical retail chains to offer quality, affordable, professional and safe products and services to downstream players and consumers at competitive prices. A whole-value-

chain supply system helps to boost efficiency in the supply chain and build up the connection between manufacturers, distributors and consumers, so that consumers can benefit from the manufacturers and our online comprehensive healthcare management services. Such enhanced connection satisfied the needs for drugs and healthcare products from consumers and will create new healthcare demand continuously.

- ***Pharmaceutical direct sales business***

The Group has always been upholding the service philosophy of “Comprehensive and Safer”, providing consumers with a wide range of health products with strict quality control through its pharmaceutical direct sales business, including prescription drugs, over-the-counter (OTC) drugs, health supplements, medical devices and contact lenses, and is committed to providing consumers with better shopping experience and after-sales protection. During the Reporting Period, driven by the Group’s advantages in operation and branding, as well as efficient execution, the pharmaceutical direct sales business maintained rapid revenue growth. As at September 30, 2020, our direct online stores (Alibaba Health Pharmacy^ (阿里健康大藥房) and Alibaba Health Overseas Flagship Store^ (阿里健康海外旗艦店)) accumulated more than 65 million annual active users (those who made one or more actual purchase(s) on our direct online stores in the past 12 months), representing an increase of 17 million within the Reporting Period. In September 2020, to ensure drug safety, our direct sales stores joined hands with Chinese Medical Association to launch the Drug Safety Program for Chinese Households^ (中國家庭安全用藥計劃) (such program was comprised of “Cloud-based Household Medicine Chest”^ (家庭雲藥箱) and home use drug instruction manual) and open the AI system for safe drug to the whole industry, providing consumers with professional, safe and comprehensive medication guidance.

During the Reporting Period, the Group’s pharmaceutical direct sales business furthered its efforts in operating the Chronic Disease Welfare Program^ (慢病福利計劃), and provided effective lifecycle solutions to users with chronic diseases. Following the introduction of chronic disease management services such as membership services for chronic patients, follow-up drug consultations, patient education and Tele-Care follow-up service. Both membership coverage rate for chronic patients and average drug use duration increased as a result, and the user experience improved as well. In the area of new medicines, the Group further promoted in-depth online cooperation with upstream pharmaceutical companies. In September 2020, we joined forces with a leading global pharmaceutical company, AstraZeneca, to debut their original anti-cancer drugs in Alibaba Health’s direct drugstores. Through the Group’s substantive user base, brand influence, industry-leading technologies and operational capabilities, the accessibility of such products was further enhanced, the adherence and convenience of anti-tumor treatment were improved, thus meeting the medication and health management needs of cancer patients.

Meanwhile, the Group's service capabilities in warehousing, logistics, customer service, quality control, etc. were further enhanced. In terms of warehousing and logistics, in order to expand the geographic coverage of goods and improve the efficiency of delivery, the Group had built a distribution network with nine warehouses located in seven different locations thus making next-day delivery available in 60 key cities. During the Reporting Period, the Group had been equipped with cold chain storage and distribution capacity in direct-to-patient (DTP) service, and its application in new and cancer drugs had been commenced. In terms of international import and retail business of our direct pharmacy, we improved cross-border medicine purchase experience through building compliant and reliable medicine warehouse in Beijing and Hong Kong. With the accelerated development of our pharmaceutical direct sales business, the Group continued to invest in quality control to ensure drug safety through implementation of AI system, insurance on authenticated drug purchase, transparent laboratories and full-process tracking system. The establishment and steady improvement of these comprehensive service capabilities continuously enhanced the user's confidence in our direct stores, resulting in a significant increase in user repeated purchase.

- ***Pharmaceutical e-commerce platform business — Tmall's Pharmaceutical Platform***

During the Reporting Period, the Group continued its full operation of Tmall's Pharmaceutical Platform. In particular, the Group currently owns and operates platform businesses relating to drugs and other pharmaceutical products, foods for special medical purposes (FSMPs), medical devices and healthcare products, sexual health and family planning products, contact lenses, health food, as well as medical and healthcare services on Tmall's Pharmaceutical Platform, which have previously been acquired from Alibaba Group. In the meantime, the Group continues to provide outsourcing and value-added services for the product categories of nutritional supplements (excluding health food) on Tmall.

During the Reporting Period, the gross merchandise volume (GMV) generated by Tmall's Pharmaceutical Platform as operated by the Group exceeded RMB55.4 billion, representing a year-on-year growth of 49.7%. As at September 30, 2020, annual active users of Tmall's Pharmaceutical Platform (consumers who made one or more actual purchase(s) on Tmall's Pharmaceutical Platform in the past 12 months) exceeded 250 million, representing an increase of more than 60 million within the Reporting Period. In addition, Tmall's Pharmaceutical Platform had provided services to more than 18,000 merchants, representing an increase of nearly 4,000 merchants within the Reporting Period.

The Group carried out a variety of innovative activities and services in different industry categories, continuously created value for merchants and consumers on our platform. We have been leading the development of the pharmaceutical e-commerce industry. For supply chain, the Group continued to engage in Alibaba's Spring Thunder Initiative[^] (春雷計劃), dedicating its efforts to improve its portfolio, and

developed six core nutritional products, including Chinese wolfberry, ginseng, panax notoginseng, ejiao (donkey hide gelatin), bird's nest and honey, thereby improving the supply chain capabilities of origins, promoting the production and sales of nutritional products from origins, and had delivered remarkable results. As for the increasing demand from consumers for healthcare-lite and nutrition-lite products, we have been expanding product categories and have incubated five family healthcare brands at RMB100 million level. We continued to focus on identifying and building target users, creating and conducting in-depth operation of vertical IP matrix for health industry.

With respect to prescription drugs, the Group established the “1+N” brand linkage mechanism, and set up ten disease centers for diseases such as heart disease, diabetes and liver disease. By establishing a matrix integrating user traffics, medical contents, doctors and after sales drug reminder, we provide more inclusive services with higher quality to target consumer groups.

- ***Pharmaceutical e-commerce platform business — new retail model***

Based on our accumulated experiences, the Group continues to explore in-depth development strategy and path of the new pharmaceutical retail segment. As at September 2020, the 24/7 30-minute drug delivery service continued to expand to cover a total of 24 cities, including Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou, Wuhan and Jinan. At the same time, we launched the one-hour “urgent drug delivery” service in more than 200 cities nationwide, and will roll this out to more cities in the future.

Through joint efforts with Internet hospitals by successfully gaining access to online social medical insurance system in Guangzhou, the Group managed to offer a pilot service that allows individuals in Guangzhou to purchase certain drugs online with their own social medical insurance accounts. This has created a complete process of online and offline drug purchases. Based on our accumulated operational experiences and capabilities, the Group continued to expand its O2O prescription drug services and optimize its online prescription renewal system and prescription compliance control system, providing whole-value-chain drug purchase services for returning patients during the whole process of online follow-up consultations, prescription renewal and drug delivery on the basis of compliance supervision.

During the Reporting Period, the Group continued to explore innovative modes of business cooperation. It partnered with AstraZeneca, a leading global pharmaceutical company, to explore whole-value-chain cooperation in new retail. Based on Tmall's Pharmaceutical Platform, our cardiac center service was launched to provide patients with three chronic diseases (hypertension, hyperlipidemia and high blood sugar) with a series of innovative medication experience, including online consultation, patient education and drug home delivery services. Meanwhile, the Group further deepened its cooperation with more than 40 thousand O2O alliance merchants and 27

upstream brands to achieve whole-value-chain cooperation through collaboration with pharmacy chains; through in-depth integration of the upstream and downstream supply chain, it provided pharmaceutical business with capabilities for speedy sales coverage, launch, distribution, and one-stop marketing solutions.

Future prospects

As the largest pharmaceutical e-commerce platform in the PRC, there is plenty of room to grow sustainably for the business of Tmall's Pharmaceutical Platform. With the increasing demand of residents for healthcare in the post-pandemic period, healthcare consumption accounts for an increasing proportion of household expenditure. The Group will continue to develop and expand new categories to provide a wide range of choices to meet the diversified needs of users. On this basis, we will constantly synergize with our merchants to expand the ecological boundary of the platform and achieve constant growth in the number of new users. Meanwhile, we will remain committed to accelerating the development of the services of follow-up consultation and prescription renewal and online purchase of drugs for chronic diseases and common diseases. In compliance with relevant laws and regulations and taking user value as our starting point and goal, we aim to provide scientific and professional patient education to customers in collaboration with upstream industries, and lead the sound development of the industry to foster greater potential of growth building on the establishment of general practice for online sales of drugs and healthcare products.

The direct sales business has been continuously interacting with consumers in scenarios on household drug safety. The launch of "AI drug safety system" and "Cloud-based Household Medicine Chest" demonstrated our commitment to improving the service experience and stickiness of our customers, and strengthening the user recognition of "Comprehensive and Safer", through whole-value-chain supply system (including DTP), professional and reliable quality control system, lean and efficient warehousing, distribution and customer service system and comprehensive and warm family health management system. In the meantime, we will make the best use of traffic resources from all the portals of Alibaba Group to acquire new customers and expand customer base constantly.

In terms of pharmaceutical new retail, the Group will optimize relevant service experience while securing our supplies and services. We will also stick to the synergic strategy of Alibaba Group in intra-city retailing and closely cooperate with its ecosystem partners to keep introducing new quality resources and channels, so as to meet consumers' diversified needs and jointly build local pharmaceutical service networks. On the supply side, we will continue to improve efficiency while reducing costs, diversify our product portfolio, create synergy with all ecosystems within the Group, accelerate the implementation of urban medical insurance program and enrich the range of application scenarios for "interaction and promotion of pharmacy, medical service and medical insurance (business)", so as to achieve long-term and sustainable development.

In terms of brand cooperation, driven by digital solutions, we will support pharmaceutical companies through whole-value-chain cooperation. We expect to see more room for expansion in the Group's pharmaceutical direct sales business, pharmaceutical e-commerce platform business and pharmaceutical new retail business, and will proceed with the exploration of innovative modes of cooperation with upstream pharmaceutical corporations. Looking into the future, we will continue to explore the trillion-level pharmaceutical and healthcare retail market to achieve sustained growth by leveraging the driving force of constantly meeting user needs as well as enhancing user experience and value.

Medical and healthcare services business

During the Reporting Period, based on the health management services platform of cloud-based pharmacy, the Group has been increasing its efforts in the field of Internet healthcare by combining its consumer healthcare business, Internet healthcare business and other business as the medical and healthcare services business, being committed to combining "Dr. Deer" APP and Alipay to build an Internet-based tiered medical system for local medical and healthcare services that combines online and offline medical services, and continued to provide multi-faceted, multi-level, professional and convenient medical and healthcare services for end-users of, among others, Taobao, Tmall, Alipay, "Dr. Deer" APP and Quark search. As at the end of the Reporting Period, over 39,000 doctors at intermediate or above rankings in professional titles, including chief doctors, associate-chief doctors, and attending doctors had signed up with the Group to provide online health consultation services, representing an increase of nearly 10,000 doctors within the Reporting Period.

The outbreak of COVID-19 had highlighted the demand for online medical services. In order to provide a solution to such issue, the Group has initiated a comprehensive repositioning of its Internet medical and healthcare business through the launch of a standalone medical and healthcare APP, namely "Dr. Deer" APP which focuses on providing services such as medical information search, medical consultation, medical appointment, vaccination appointment, health screening appointment and drug express delivery, aiming to provide users with one-stop convenient online medical and healthcare services. With twin search engines of "Quark" (a generic searching engine) and "Dr. Deer" (a vertical search engine) and through personalized dissemination of information, we aspire to provide users with authentic medical information and capabilities of medical consultation with professional doctors. Meanwhile, supported by medical AI technology, the Group has been committed to making medical consultations more inclusive and intelligent by means of technological service innovation and public welfare initiatives. At the doctor-end, we helped increase the level of smart health adoption through AI consultation assistant tools, and constantly improved the clinical reception experience. In October 2020, the "free medical consultation service" function was launched on "Dr. Deer" APP. It fully demonstrates the Group's determination to explore and develop the idea of "creating a better life for all with science and technology" based on users' needs.

We are committed to providing comprehensive online medical resolutions, so as to enable consumers to experience better medical services in an all-round way through diversified channels of services. Not only can our users acquire professional and convenient online medical consultation services through “Dr. Deer” APP, they can also acquire critical disease local clinic referral service through Alipay, or acquire professional and reliable drug use guidance, follow-up consultation and prescription renewal as well as medical consultation services through “cloud-based pharmacy”, the integrated health management platform on Taobao, Tmall and Alipay.

Through “Dr. Deer” APP and multiple service portals such as Alibaba Health Pharmacy, Tmall Pharmacy and Alipay’s healthcare channel, users with minor diseases are given access to fast and convenient medical solutions for the complete process of search, analyze, consult, prescribe and purchase; and users with more critical diseases can also complete online search, medical information viewing, medical consultations, online appointment and registration, as well as the complete process of offline medical procedures through the platforms, e.g. registration, consultation and recovery treatment.

The Group had established and continued to operate an exclusive and independent healthcare channel for Alipay users. As at September 30, 2020, Alipay had over 35,000 contracted medical institutions, including more than 4,000 Class II and Class III hospitals. Moreover, over 700 Class III hospitals in 27 provinces across the country had been connected to medical insurance reimbursement services. The Group had implemented a series of measures to provide easy and convenient services to the public during the pandemic, including, among others, anti-COVID-19 information and education, and online medical consultation. Driven by such measures, the number of active users of our medical and healthcare services continued to increase rapidly. From April to September 2020, the net number of active users of Alipay’s healthcare channel grew to more than 330 million on an accumulative basis.

During the Reporting Period, the Group continued to build an ecosystem in the medical and healthcare services industry, covering vaccines, and health screening, etc. As at the end of the Reporting Period, the Group had established cooperation with more than 2,700 public and private medical examination centers, providing users with consumer-grade and professional/medical-grade examinations, which support multiple ways of examination, such as onsite exam, home visit exam and sample delivery exam. Diversified products and services are also available through “Dr. Deer” APP, Tmall, Alipay, DingTalk and other channels. During the Reporting Period, the nucleic acid testing services carried out by the Group had been made available in more than 100 cities, fulfilling the needs of multiple groups of people.

In the vaccine segment, we continued to enhance our dual-engine growth deployments of “vaccine booking service platform” + “vaccine ecosystem”. During the Reporting Period, Alibaba Health’s Immunization Planning Center released Vaccine Service Platform 2.0, and enabled platform service for all vaccination centers nationwide. After logging into Alibaba Health’s “Dr. Deer” APP or Alipay’s healthcare channel, users may access the vaccination sites that have registered on the platform, and enjoy the one-stop services of registration, booking, smart planning and reminder for vaccination covering all categories, including vaccines for children, HPV vaccines for adults and influenza vaccines. In the meantime, scientific promotion of vaccine and consultation services for vaccination are also available. With the introduction of Vaccine Service Platform 2.0, users are provided with access to more convenient vaccination services, and vaccination sites are able to improve their capabilities in vaccination management as well as content promotion and education, thus further enhancing awareness and acceptance, accessibility and inoculation rate.

In pursuit of a better life for all with science and technology, building on our successful operation of the “Global MediXchange for Combating COVID-19 (GMCC)” platform, the Group gathered top-notch hospital and doctor resources. With our industry-leading brand value, technical capabilities and traffic advantages, we will help medical experts and doctors in China to amplify their value and contributions and continue to provide affordable healthcare services to patients and their families across the country by leveraging on the maximum effectiveness of Internet-based public medical services. As at September 30, 2020, the Group had organized 18 international academic webinars, including the Alibaba Health and Cell Press Life Science Week Online. Harnessing the power of technology, we facilitated academic sharing and exchange between domestic and foreign medical experts, and further disseminated know-hows to more medical workers through the Internet.

During the Reporting Period, by harnessing the power of technology, Alibaba Health explored the mode of alleviating poverty with digital healthcare. Utilizing its digital capability, Alibaba Health built the online platform to organize online training provided by volunteer doctors for doctors in areas of poverty, and helped 13 hospitals and over 450 medical staff sharpen their professional skills. Such mode was promoted to various areas including Nangqian County of Qinghai Province, Ganzi Autonomous Prefecture and Songpan County Aba Prefecture of Sichuan Province, Weinan City of Shaanxi Province. Through the Internet, we have been bringing more and more medical academic experience to areas of poverty in China, and sharing top-notch expert resources with basic medical institutions, while making continuous efforts in deepening the mode of alleviating poverty with digital healthcare, thus creating a better life for all with science and technology.

Future prospects

As a result of the COVID-19 pandemic, users are more willing to use Internet-based healthcare services and more government policies in related field are issued. By taking advantage of this opportunity, the Group will continue to accumulate experience, and integrate resources and capabilities, to provide high-quality and efficient integrated healthcare services in both online and offline settings for our constantly growing user base. We will continue to increase our investment in the Internet healthcare business, and, driven by the twin search engines of “Quark” (a generic search engine) and “Dr. Deer” APP (a vertical search engine), continue to accumulate and enrich quality and professional information, and utilize the comprehensive and multi-dimensional healthcare tools and service capabilities through technological and model innovations, aiming to become China’s preferred online healthcare services platform.

In order to implement the spirit of the Opinions on Deepening the Reform of the Medical Insurance System[^] (《中共中央國務院關於深化醫療保障制度改革的意見》) and “Internet Plus Healthcare” Development issued by the State Council General Office[^] (《國務院辦公廳關於促進「互聯網+醫療健康」發展的意見》), the Group will vigorously drive innovation in the model of “Internet +” healthcare services, constantly improve the quality and scale of service, so as to fulfill the need of the public for convenient healthcare services. Meanwhile, the Group will help more brick-and-mortar hospitals establish and provide online medical consultation services, thereby expanding the platform and pushing forward the popularization of “Internet +” healthcare in a concrete and efficient manner. Taking this as an opportunity, we will achieve in-depth links and collaboration among our different business segments, promoting widespread “interaction and promotion of pharmacy, medical service and medical insurance (business)” within our ecosystem of Alibaba Health, so as to establish a unique competitive edge and lead the industry.

With respect to local healthcare services, we will continue to explore the market space with great potential, strive to build a leading online vaccination appointment platform in China. By providing an online service capability matrix with online booking at its core, we will improve the vaccination service experience for Chinese consumers and further increase inoculation rate. We will also strengthen cooperation with upstream pharmaceutical companies to further cultivate consumer recognition on the basis of optimizing supply, while building a leading online service platform in the industry. In the field of health screening, the Group will strengthen the synergies and coordination with Alibaba Group’s existing ecosystem partners, such as Alipay, UC, Quark, Meinian Onehealth and iKang Guobin, to actively expand Alibaba Group’s local life service portals. We will diversify product supply and tap into our leading operational capabilities and technical strengths to realize sustainable growth and returns as an industry leader.

Tracking and digital health business

- *Digital health business*

During the Reporting Period, the Group continued to deepen its exploration of digital health in collaboration with governments and hospitals and vigorously promote the construction of digital infrastructure for medical industry, so as to provide affordable and convenient medical and healthcare services to the public by enhancing regional information digitalization levels.

Through its related company, Seenew Medical Technology (Zhejiang) Co. Ltd.^ (熙牛醫療科技(浙江)有限公司) (“**Seenew Medical**”), the Group is dedicated to the construction of smart hospital information system for medical institutions and to the development of new digital infrastructure for regional medical and healthcare services that covers comprehensive business processes including medical care, public health and management. During the Reporting Period, the “Future Hospital” information system, jointly built by Alibaba Health, Seenew Medical and First Affiliated Hospital, Zhejiang University School of Medicine (“**FAHZU**”), was officially launched in Yuhang Campus of FAHZU. This smart information system, designed by Seenew Medical, has been helping the hospital to upgrade its information system, to develop its Medical Knowledge Database, and to carry out quality control of its medical records, clinical decision support and medical risk monitoring, etc., thereby improving its diagnosis and treatment, meeting FAHZU’s need of digitalization, and making FAHZU the first smart hospital to officially enter an era of cloud computing. This is the first smart hospital information system in the PRC which is built on cloud architecture, and forms part of the Group’s important deployment in the field of digital medical infrastructure.

With the State’s increased funding in basic healthcare and development of distance health consultation system, more people will benefit from the mode of “Internet + medical service”. In October 2020, the county-level development project of cloud-based smart health platform of Weishan County, built by Seenew Medical, was reviewed and approved by Health Commission of Yunnan Province. Meanwhile, Seenew Medical had officially launched the smart cloud-based medical management system in Tiantai County, Zhejiang Province, making it the first county to use cloud-based system to manage online and offline medical services and facilities.

The smart hospital information system and innovative infrastructure for regional medical and healthcare services are constructed to assist hospitals and regional medical systems to realize the upgrade of digitalization. This solution is universally applicable so that it can be seamlessly replicated to other hospitals and regions, helping to accelerate the digitalization process in all hospitals.

Future prospects

Based on its technology and practical experiences accumulated in the cooperation with the government and enterprises, the Group will continue to assist more governmental and industry partners in informatization upgrade of medical services. We will actively synthesize our experience from the “Future Hospital” project, and will work closely with our ecosystem partners including Alibaba Cloud. As a major healthcare player in the construction of “city brains” across China, we will expand and apply the leading technical capabilities and operational experience of Alibaba Health and its ecosystem partners in the healthcare industry to more domains. Based on this, we will gain access to more customer resources and operational portals.

With a high level of synergy of digital medical technologies and healthcare services, we will realize data interconnection between hospital and online information platforms, better serve the government and medical institutions, and build regional-based ecological operation systems to explore and expand the boundaries of the model of digital medical management system. We will use our smart hospital information system and innovative infrastructure for, among others, regional medical and healthcare services to develop those of our existing projects that have been successfully launched and operated as benchmarks. On this basis, we will promote their extensive application in the new regional digital healthcare infrastructure market in China in the future, which will also help to promote the implementation of tiered medical system, facilitate the construction of county-level medical management system and assist in national medical reform.

- ***Tracking business***

During the Reporting Period, our digital infrastructure tool for tracking in the pharmaceutical distribution industry, Ma Shang Fang Xin[^] (碼上放心), continued to grow in a steady progress.

As at the end of the Reporting Period, the Group has achieved a coverage of over 98% for the manufacturers of key varieties (such as bid-winning varieties in centralized purchase, blood products, narcotic drugs and psychotropic drugs) with specific traceability requirement by the State, with 100% coverage for vaccine manufacturers.

During the Reporting Period, we implemented multiple innovative explorations for our Ma Shang Fang Xin business. In respect of industry development, we started providing full traceability services for medical devices and TCM decoction pieces. In the field of non-medicine tracking, we continued to provide tracking services for various segments including nutritional products, healthcare supplements, food, fresh produce, milk powder and wines, providing tracking services for more than 2,000 brands. For research and development of new drugs, our tracking code business made breakthrough in terms of the application in clinical trials. The blended and full-process tracking in clinical trial of new drugs was realized with the “one object, one code” tracking technology, and has been successfully applied to the clinical trial

of stem cell therapy for severe COVID-19 patients during the pandemic, and is currently applied to various clinical trials projects. In respect of consumer application of tracking code, we continually optimized the private operating platform, introduced upstream pharmaceutical enterprises, and created scenarios with customers by code-scanning, thus enabling our customers to get access to more information and services by code-scanning. In the field of vaccine supervision, based on our existing vaccine tracking business in Guizhou Province, the Group completed the province-wide vaccination tracking cooperation with Heilongjiang Province and Anhui Province, through which every vaccine that flows into the provinces from the manufacturers to the center for disease control and prevention and then to a vaccination center can be promptly and accurately recorded, and the vaccination tracking data can be stored, in such a way that the origin and whereabouts of even the smallest vaccination package can be traced throughout the whole process of circulation and use. As a good example of science and technology serving the general benefits of people, the creation of the whole-value-chain tracking model enables the government's smart supervision of vaccines and also provides free access to information about the availability and flow of vaccines to the public. These innovative achievements mark the Group's progress towards medical tracking and will serve as an impetus to enhance our position and business value in the tracking and digital health industry.

Future prospects

With the promulgation of the Announcement on the Establishment of Information-based and Comprehensive Drug Tracking System for Key Varieties^ 《關於做好重點品種信息化追溯體系建設工作的公告》 by the National Medical Products Administration, it is required by all local authorities that the establishment of the traceability system for key varieties such as bid-winning varieties in centralized purchase, narcotic drugs, psychotropic drugs and blood products should be completed by December 31, 2020. Information throughout the process should be collected to enable the traceability of the aforesaid key varieties. As a pioneer in the field of drug tracking, leveraging its first-mover advantage, Alibaba Health will follow the guidance of this new policy, and continue our construction and development of the Ma Shang Fang Xin platform, accelerate the construction of big data center of drugs, with a view to providing safe, convenient compliant solutions and expanding value-added services for pharmaceutical enterprises and medical institutions.

Based on the Drug Administration Law^ 《藥品管理法》 and the State Council's deployment requirement of drug tracking and with a focus on the "eight standards", the Group will continue to help regulatory authorities in all regions to achieve effective supervision and actively promote the establishment of information-based and comprehensive drug tracking system, enhance the supervision and efficiency, ensure the quality and safety of medicines, strengthen medical insurance fee control, and safeguard the interests of consumers. Meanwhile, as the infrastructure of the

Group's pharmaceutical business, the tracking business will continue to provide the underlying technical support for the safety and traceability of prescription drugs sold online.

FINANCIAL REVIEW

The key financial figures of the Group for the six months ended September 30, 2020 and September 30, 2019 are summarized as follows:

	2020	Six months ended September 30,	
	RMB'000	2019	Change
		RMB'000	%
Revenue	7,162,031	4,116,846	74.0
Gross profit	1,860,316	1,031,660	80.3
Gross profit margin	26.0%	25.1%	N/A
Other income and gains	142,811	63,922	123.4
Fulfillment	(749,449)	(467,029)	60.5
Sales and marketing expenses	(508,737)	(333,252)	52.7
Administrative expenses	(143,003)	(105,075)	36.1
Product development expenses	(229,449)	(135,138)	69.8
Other expenses	(7,567)	(6,236)	21.3
Finance cost	(1,580)	(19,462)	(91.9)
Operating profits	363,342	29,390	1,136.3
Share of losses of joint ventures	(5,694)	(5,344)	6.5
Share of losses of associates	(33,207)	(18,418)	80.3
Profit/(loss) for the Reporting Period	278,554	(7,629)	N/A
Net gains/(losses) attributable to owners of the parent	283,431	(1,102)	N/A
NON-HKFRS ADJUSTMENTS			
Adjusted net profit	435,759	112,762	286.4

— Revenue

Revenue of the Group for the Reporting Period amounted to RMB7,162,031,000, representing an increase of RMB3,045,185,000 or 74.0% as compared to RMB4,116,846,000 for the six months ended September 30, 2019. The increase in revenue was mainly attributable to the rapid growth in revenue from pharmaceutical e-commerce platform business and pharmaceutical direct sales business during the Reporting Period.

— ***Pharmaceutical e-commerce platform business***

Our pharmaceutical e-commerce platform business comprises the e-commerce platform business relating to pharmaceutical products, health food, medical devices, etc., that the Group acquired from Alibaba Group, the business of providing outsource services to Tmall's Pharmaceutical Platform (in respect of categories other than those that have already been acquired) and the new pharmaceutical retail business. As at the end of the Reporting Period, the Group had acquired the e-commerce platform business of pharmaceutical products, medical devices and healthcare products, health food, sexual health and family planning products, contact lenses, and medical and healthcare services categories from Alibaba Group. During the Reporting Period, the total revenue of the above businesses amounted to RMB925,383,000, representing a year-on-year increase of 71.4%.

— ***Pharmaceutical direct sales business***

The pharmaceutical direct sales business of the Group comprises our direct B2C retail, related advertisement business and our centralized procurement and B2B distribution. During the Reporting Period, the general revenue from pharmaceutical direct sales business reached RMB6,036,024,000, representing a year-on-year increase of 75.7%, in which our online direct sales of over-the-counter (OTC) and prescription drugs had contributed 61.7% of the revenue generated from the pharmaceutical direct sales business. The rapid growth in revenue was mainly due to the continual enrichment of the categories of goods sold through the Group's direct B2C retail and stock keeping units ("SKUs"), more detailed management of the pharmaceutical direct sales business, optimization of the customer purchase experience and enhancement of repeated purchases by customers; accelerated business deployment of prescription drug sales business, enriched SKUs for prescription drugs, optimization of shopping process for better transformation, leading to an expanded sales scale of prescription drugs; continuing to strengthen our cooperation with upstream quality brands for integrated marketing. The Group had been authorized to undertake the management of or to establish more than 100 franchised flagship stores on Tmall's Pharmaceutical Platform as at the end of the Reporting Period.

— ***Medical and healthcare services business***

Apart from the aforementioned businesses, the Group continued to explore business models in the areas of Internet healthcare and health services. During the Reporting Period, the Group combined Internet healthcare business, consumer healthcare business and other business into the medical and healthcare services business, and continued to provide multi-faceted, multi-level, professional and convenient healthcare services for end-users of among others, Taobao, Tmall, Alipay, “Dr. Deer” APP and Quark search. The Group actively cooperates with health screening, vaccination, testing and other medical and healthcare service organizations through its online platforms and direct stores, to provide users with safe, professional and transparent medical and healthcare services, as well as health education, consultation, appointment scheduling and other value-added services. During the Reporting Period, revenue of the Group from the medical and healthcare services business including online consultation, health screening, vaccination and nucleic acid testing amounted to RMB175,929,000, representing a year-on-year growth of 43.3%.

— ***Tracking and digital health business***

As at the end of the Reporting Period, the Group has achieved a coverage of over 98% for the manufacturers of key varieties (such as bid-winning varieties in centralized purchase, blood products, narcotic drugs and psychotropic drugs) with specific traceability requirement by the State, with 100% coverage for vaccine manufacturers. Revenue from tracking and digital health business for the Reporting Period was RMB24,695,000, representing a year-on-year growth of 30.3%.

— **Gross profit and gross profit margin**

The Group recorded gross profit for the Reporting Period of RMB1,860,316,000, representing an increase of RMB828,656,000 or 80.3% as compared to RMB1,031,660,000 for the corresponding period of the preceding year. Gross profit margin for the Reporting Period was 26.0%, higher than 25.1% for the corresponding period of the preceding year. The increase was mainly due to the lower purchasing cost resulting from economies of scale of the pharmaceutical direct sales business.

— **Other income and gains**

Other income and gains for the Reporting Period amounted to RMB142,811,000, representing an increase of RMB78,889,000 or 123.4% as compared to RMB63,922,000 for the corresponding period of the preceding year. This was mainly due to the significant increase in interest income and fair value gains on financial

assets at FVPL during the Reporting Period. In particular, Shandong ShuYu Civilian Pharmacy Corp. Ltd.^ (山東漱玉平民大藥房連鎖股份有限公司), the financial asset at FVPL, recognized a gain on changes in fair value of RMB45,914,000.

— **Fulfillment**

Warehousing, logistics, operation and customer service expenditures incurred by the Group's pharmaceutical direct sales business were included in fulfillment costs. Fulfillment costs for the Reporting Period amounted to RMB749,449,000, representing an increase of RMB282,420,000 or 60.5% from RMB467,029,000 for the corresponding period of the preceding year. Such increase was mainly due to the rapid growth in revenue of the pharmaceutical direct sales business. During the Reporting Period, fulfillment costs accounted for 12.4% of the revenue from pharmaceutical direct sales business, declining from 13.6% for the corresponding period of the preceding year, which reflected the enhancement of operating efficiency of the Group in respect of warehousing, logistics and customer services.

— **Sales and marketing expenses**

Sales and marketing expenses for the Reporting Period amounted to RMB508,737,000, representing an increase of RMB175,485,000 or 52.7% as compared to RMB333,252,000 for the corresponding period of the preceding year. Such increase was mainly due to the increase in promotional costs to publicize the Group's direct stores. Besides, the Group also increased the headcount of its sales and operation functions and innovative business segment staff. During the Reporting Period, sales and marketing expenses accounted for 7.1% of the Group's total revenue, declining from 8.1% for the corresponding period of the preceding year, reflecting the enhancement of efficiency of the Group's market resources deployment.

— **Administrative expenses**

Administrative expenses for the Reporting Period amounted to RMB143,003,000, representing an increase of RMB37,928,000 or 36.1% as compared to RMB105,075,000 for the corresponding period of the preceding year. Such increase was mainly attributable to rapid business growth which led to an increase in back-end supporting costs and professional costs. Administrative expenses accounted for 2.0% of the Group's total revenue for the Reporting Period, lower than the 2.6% recorded for the corresponding period of the preceding year, which was benefited from the sound cost controls and the emerging economies of scale.

— **Product development expenses**

Product development expenses for the Reporting Period amounted to RMB229,449,000, representing an increase of RMB94,311,000 or 69.8% as compared to RMB135,138,000 for the corresponding period of the preceding year. Such increase was mainly due to the increased headcount of the Company’s research and development function. During the Reporting Period, the Group continued to recruit more information technology engineers to further invest in the development of medical and healthcare services and products such as “Dr. Deer” APP, as well as to support the rapid growth in its pharmaceutical business.

— **Finance cost**

Finance cost for the Reporting Period amounted to RMB1,580,000, representing a decrease of RMB17,882,000 or 91.9% from RMB19,462,000 for the corresponding period of the preceding year. Such decrease was mainly attributable to the fact that no relevant interest on borrowings incurred during the Reporting Period given that the Group’s borrowings from Alibaba Group was fully repaid at the end of last year.

— **Share of losses of joint ventures**

Share of losses of joint ventures represented the share of net operating results of the Group’s 45%-owned joint venture, Zhejiang Bianque Health Data Technology Company Limited^ (浙江扁鵲健康數據技術有限公司) (“**Zhejiang Bianque**”) and our 13.72%-owned joint venture, Jiangsu Zijin Hongyun Health Industry Investment LLP^ (江蘇紫金弘雲健康產業投資合夥企業(有限合夥)). For the Reporting Period, share of losses of joint ventures was RMB5,694,000, while share of losses of joint ventures of RMB5,344,000 was recorded for the corresponding period of the preceding year. The share of losses of joint ventures was mainly attributable to the fact that Zhejiang Bianque was still at an early stage of investment and operation during the Reporting Period.

— **Share of losses of associates**

The Group actively invests in the healthcare field. Benefitting from the services provided to consumers and patients during COVID-19 period, pharmaceutical new retail chains in which the Group made strategic investments last year experienced growth in sales and recorded reduction in losses or positive profits. The Group’s share of losses of associates for the Reporting Period amounted to RMB33,207,000, representing an increase of RMB14,789,000 or 80.3% as compared to the share of losses of associates of RMB18,418,000 recorded for the corresponding period of the preceding year. The share of losses of associates for the Reporting Period was mainly attributable to the delayed progress of projects of certain associates of the Group providing services to hospitals due to the impact of the COVID-19, and some associates were still in the transformation or growing stage.

— **Non-Hong Kong Financial Report Standard indicator in relation to profit/loss for the Reporting Period: Adjusted net profit**

During the Reporting Period, the Group's profit amounted to RMB278,554,000, as compared to a loss of RMB7,629,000 for the corresponding period of the preceding year. The Group's adjusted net profit amounted to RMB435,759,000, representing a significant increase of RMB322,997,000 or 286.4% as compared to adjusted net profit of RMB112,762,000 for the corresponding period of the preceding year. Adjusted net profit is based on the profit/(loss) for the corresponding period after excluding non-operating profit or loss items such as share-based compensation expenses, change in fair value of financial assets at FVPL (non-current portion), gain or loss on deemed partial disposal of associates (net of tax), and gain or loss on disposal of associates (net of tax). The increase in adjusted net profit was mainly attributable to the speedy growth and economies of scale of the Group's pharmaceutical e-commerce platform business and pharmaceutical direct sales business. The profitability of the Group continued to improve, which will lay a solid foundation for our further investments and deployments in prescription drug and chronic disease services, medical and healthcare services, medical and pharmaceutical digital infrastructure and other long-term businesses.

To supplement the Group's consolidated financial statements presented in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), the Group has also reported its adjusted net profit, which is not required under, or presented in accordance with, HKFRSs, as an additional financial indicator. We are of the view that presenting the non-HKFRS indicator together with the relevant HKFRS indicator will help investors to better compare our operational performance across various periods, without the potential impact of projects which our management considers as not indicative to our operational performance. We believe that the non-HKFRS indicator provides investors and other individuals with helpful information to understand and assess our consolidated operational results in the same way that our management does. However, the adjusted net profit we presented may not be comparable with similar indicators presented by other companies. Such non-HKFRS indicator has its limitations as an analytical tool, and it should not be regarded as being independent from the operational results or financial position presented according to HKFRSs, or as an alternative to analyze the relevant operational results or financial position. In addition, the definition of such non-HKFRS indicator may vary from those applied in other companies.

The adjusted net profit for the six months ended September 30, 2020 and 2019 set out in the table below represents adjustments to the most direct and comparable financial indicator calculated and presented in accordance with HKFRSs (i.e. profit/(loss) for the Reporting Period):

	Six months ended	
	September 30,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) for the Reporting Period	278,554	(7,629)
Excluding		
— Share-based compensation	198,514	147,156
— Fair value (gains)/losses on financial assets at FVPL, net of tax	(34,444)	6,605
— Gain on deemed partial disposal of an associate, net of tax	(6,865)	(17,027)
— Gain on disposal of associates, net of tax	—	(16,343)
	<hr/>	<hr/>
Adjusted net profit	<u>435,759</u>	<u>112,762</u>

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

The cash and other liquid financial resources of the Group as at September 30, 2020 and the corresponding comparative figures as at March 31, 2020 were summarized as follows:

	September 30,	March 31,
	2020	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents	12,267,628	2,594,981
Short-term investment at FVPL — wealth management products	—	402,485
	<hr/>	<hr/>
Cash and other liquid financial resources	<u>12,267,628</u>	<u>2,997,466</u>

Cash and cash equivalents increased by RMB9,672,647,000 or 372.7% from RMB2,594,981,000 as at March 31, 2020 to RMB12,267,628,000 as at September 30, 2020. Such increase mainly reflected the net inflows generated from the Group's cash flow from operating activities and net proceeds from the Group's placing completed on August 12, 2020.

Short-term investment at FVPL was short-term investment in high liquidity bank wealth management products with maturity within three months (including three months).

Cash flows of the Group for the six months ended September 30, 2020 and September 30, 2019 were as follows:

	Six months ended September 30,	
	2020	2019
	RMB'000	RMB'000
Net cash flows generated from operating activities	566,400	475,639
Net cash flows (used in)/generated from investing activities	(4,396,292)	359,333
Net cash flows generated from financing activities	8,957,393	1,268,283
	<u>5,127,501</u>	<u>2,103,255</u>
Net increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	2,594,981	280,371
Effects of exchange rate changes	(209,205)	63,735
	<u>7,513,277</u>	<u>2,447,361</u>
Cash and cash equivalents at the end of the period as stated in the interim condensed consolidated statement of cash flows		
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	12,267,628	2,658,998
	<u>12,267,628</u>	<u>2,658,998</u>
Non-pledged time deposits with original maturity over three months	(4,754,351)	(211,637)
	<u>(4,754,351)</u>	<u>(211,637)</u>
Cash and cash equivalents at the end of period as stated in the interim condensed consolidated statement of cash flows	7,513,277	2,447,361
	<u>7,513,277</u>	<u>2,447,361</u>

— **Net cash flows generated from operating activities**

For the Reporting Period, net cash flows generated from operating activities amounted to RMB566,400,000, which was primarily attributable to our net profit before income tax from continuing operations of RMB324,441,000, as adjusted by: (1) addition of non-cash or non-operating activities expense items, which primarily comprised share-based compensation expenses of RMB198,514,000, share of losses in joint ventures and associates of RMB38,901,000, depreciation of right-of-use assets and investment property of RMB15,162,000 and impairment of inventories and write-off of RMB5,109,000; deducting non-cash or non-operating activities income

items, mainly including bank and other interest income of RMB62,068,000, gain on financial assets at FVPL of RMB46,851,000 and gain on deemed disposal of associates of RMB8,679,000; and (2) changes in working capital, which primarily comprised an increase in other payables and accruals of RMB67,634,000, an increase in trade and bills payables of RMB52,703,000, a decrease in restricted cash of RMB41,396,000, a decrease in inventories of RMB30,408,000, a decrease in long-term receivables of RMB14,527,000, an increase in prepayments, other receivables and other assets of RMB130,472,000, an increase in trade and bills receivables of RMB15,658,000 and a decrease in contract liabilities of RMB11,195,000.

— **Net cash flows used in investing activities**

For the Reporting Period, net cash flows used in investing activities was RMB4,396,292,000, which was primarily attributable to the amount used in the purchase of fixed deposits for a term of three months and above of RMB4,754,351,000, the net cash used in redemption of financial assets at FVPL of RMB403,415,000 and the recovery of loans to external companies of RMB25,000,000.

— **Net cash flows generated from financing activities**

For the Reporting Period, net cash flows generated from financing activities was RMB8,957,393,000, which was primarily attributable to the net proceeds of RMB8,917,172,000 generated from the Group's placing completed during the Reporting Period. In addition, RMB59,978,000 was received upon exercise of options during the Reporting Period.

— **Gearing ratio**

As at September 30, 2020, the Group did not have any borrowings, and hence no gearing ratio was shown.

As at September 30, 2020, the Group did not have any material contingent liabilities and had not pledged any Group assets for bank loans or banking facilities.

The Group's operations and transactions are principally conducted in the PRC. The Group prudently managed its treasury functions and maintained a healthy liquidity position throughout the Reporting Period. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of our assets, liabilities and other commitments can meet the Group's funding requirements from time to time. Other than a certain amount of bank balances and cash, most of the Group's bank balances and cash are placed in fixed deposits and are denominated in Hong Kong dollars, Renminbi and United States dollars, while other assets and liabilities are mainly denominated in either Hong Kong dollars or Renminbi. The Group changed its presentation currency from Hong Kong dollars to Renminbi starting from the year ended March 31, 2016 to better reflect its operations in the PRC and to be

consistent with the internal reporting portfolio reviewed by the Directors. The Group does not have a foreign exchange hedging policy, but the management will continue to closely monitor exchange rate fluctuations and will take appropriate measures to keep foreign exchange risk exposure to the minimum. The Group does not use any financial instruments for hedging purposes.

EMPLOYEES AND REMUNERATION POLICIES

The number of full-time employees of the Group as at September 30, 2020 was 1,036 (990 as at March 31, 2020). Total staff costs of the Group for the Reporting Period amounted to RMB440.3 million (RMB356.6 million for the six months ended September 30, 2019). All staff employed by the Group in Hong Kong participated in the Mandatory Provident Fund Scheme.

The Group's policy is to maintain a competitive pay structure and its employees are rewarded based on their performance.

The Group has also adopted a share award scheme as approved by the shareholders of the Company on November 24, 2014 (the “**Share Award Scheme**”). Pursuant to the Share Award Scheme, the Board may grant awards in the form of restricted share units (“**RSUs**”) or options to eligible participants, including the Directors, the directors of the Company's subsidiaries, the employees of the Group or any other persons who, as determined by the Board in its absolute discretion, have contributed or will contribute to the Group.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Investment

The Group engaged in trading of short-term and liquid investments and financial assets ranging from unit trusts, structured deposits and other wealth management during the Reporting Period in accordance with its treasury policy initially adopted in June 2015 to utilize surplus cash reserves for treasury management purpose. The Company's treasury policy sets out the selection guidelines and relevant approval procedures for acceptable short-term investments and financial assets with reference to its risk management policy. According to such treasury policy, the Company invests in products including non-equity financial asset investments with strong liquidity which can be realized either at any time or within a short period of time. Such investments shall be subscribed from financial institutions in the approved list, which shall be reviewed every two years. During the Reporting Period, such financial institutions included various branches of the China Merchant Bank, Bank of Ningbo, Pudong Development Bank, Huaxia Bank, Minsheng Bank, Bank of China and Ping An Bank. According to the Company's prevailing approval procedures, any investment decision related to financial assets shall be approved by the financial and treasury manager of the Company, and shall, depending on the size

of the investment, be approved by the financial controller or chief financial officer. The Company had no short-term investments at FVPL as at September 30, 2020 (March 31, 2020: RMB402.5 million). During the Reporting Period, (i) the Company had not disposed of any investment at FVPL, and the decrease in the total value of such short-term investments was due to repurchases of the short-term investment products upon expiry during the Reporting Period by issuers in accordance with their relevant terms; and (ii) the Company realized fair value gains of approximately RMB0.93 million.

Capital Increase Agreement and Equity Transfer Agreement

On September 23, 2020, Alibaba Health Technology (Beijing) Company Limited[^] (阿里健康科技(北京)有限公司) (“**Alibaba Health Beijing**”) and Hongyun Jiukang Data Technology (Beijing) Company Limited[^] (弘雲久康數據技術(北京)有限公司) (“**Hongyun Jiukang**”), both being subsidiaries of the Company, entered into a capital increase agreement (the “**Capital Increase Agreement**”) with Come Future Technology (Zhejiang) Company Limited[^] (來未來科技(浙江)有限公司) (the “**Target Company**”), the founders of the Target Company, namely Mr. Qiang Hui (牆輝) (“**Mr. Qiang**”) and Mr. Wan Weiqin (萬煒欽) (“**Mr. Wan**”) (together, the “**Target Founders**”) and the existing shareholders of the Target Company, including Keguan Technology (Hangzhou) Company Limited[^] (可觀科技(杭州)有限公司) (“**Keguan Technology**”), Hangzhou Weiran Technology Partnership Enterprise (Limited Partnership)[^] (杭州巍然科技合夥企業(有限合夥)) (“**Hangzhou Weiran**”), Beijing Sequoia Shuoxin Management Consulting Centre (Limited Partnership)[^] (北京紅杉燦信管理諮詢中心(有限合夥)) (“**Beijing Sequoia**”), Suzhou Vision Plus Equity Investment Partnership Enterprise (Limited Partnership)[^] (蘇州圓環股權投資合夥企業(有限合夥)) (“**Suzhou Vision Plus**”), Hangzhou Vision Plus Chuangheng Equity Investment Fund Partnership Enterprise (Limited Partnership)[^] (杭州圓環創恒股權投資基金合夥企業(有限合夥)) (“**Hangzhou Vision Plus**”) and Hangzhou Rongche Technology Partnership Enterprise (Limited Partnership)[^] (杭州融澈科技合夥企業(有限合夥)) (“**Hangzhou Rongche**”) (together, the “**Existing Target Shareholders**”), pursuant to which (i) Alibaba Health Beijing shall inject RMB216,000,000 in cash into the Target Company, and (ii) Hongyun Jiukang shall make in-kind contribution equivalent to RMB28,800,000 to the Target Company by transferring its 80% equity interest in Seenew Medical Technology (Zhejiang) Co., Ltd.[^] (熙牛醫療科技(浙江)有限公司) (“**Seenew Medical**”) to the Target Company. Immediately upon completion of the Capital Increase Agreement, the registered capital of the Target Company shall increase to RMB19,569,471 and the Target Company shall be held as to 26.47% by Alibaba Health Beijing and 3.53% by Hongyun Jiukang.

On September 23, 2020, Hongyun Jiukang entered into an equity transfer agreement (the “**Equity Transfer Agreement**”) with the Target Company, pursuant to which Hongyun Jiukang shall transfer its 80% equity interest in Seenew Medical to the Target Company as in-kind contribution under the Capital Increase Agreement. Immediately upon completion of the Equity Transfer Agreement, Seenew Medical shall be held as to 80% by the Target Company and 20% by Shanghai Yujun Business Management Partnership Enterprise (Limited Partnership)[^] (上海羽雋企業管理合夥企業(有限合夥)).

Mr. Wu Yongming (“**Mr. Wu**”) is a non-executive Director and therefore a controller of the Company within the meaning of Rule 14A.28(1) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Since Suzhou Vision Plus and Hangzhou Vision Plus (collectively, the “**Vision Plus LPs**”) are associates of Mr. Wu (as illustrated below) and they are in turn the substantial shareholders of the Target Company (prior to the completion of the Capital Increase Agreement), the transactions contemplated under the Capital Increase Agreement and Equity Transfer Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules. To the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries with Mr. Wu:

- (i) each of the Vision Plus LPs is an investment fund established as a limited partnership in the PRC which is used for the purpose of managing investments for the benefit of its investors;
- (ii) Hangzhou Vision Plus Erjiu Equity Investment Fund Management Partnership Enterprise (Limited Partnership)^ (杭州圓環二久股權投資基金管理合夥企業(有限合夥)) (“**Erjiu LP**”) is the general partner of the Vision Plus LPs. Mr. Wu is the supervisor of, and effectively controls, Hangzhou Vision Plus Capital Management Company Limited^ (杭州圓環投資管理有限公司), which is the general partner of Erjiu LP;
- (iii) Hangzhou Vision Plus has a registered capital of RMB800.8 million and 14 partners, including, among others, Erjiu LP, Ningbo Vision Plus Ruida Equity Investment Partnership Enterprise (Limited Partnership)^ (寧波圓環睿達股權投資合夥企業(有限合夥)) (“**Ruida LP**”) and Ningbo Vision Plus Hengxin Equity Investment Partnership Enterprise (Limited Partnership)^ (寧波圓環恒鑫股權投資合夥企業(有限合夥)) (“**Hengxin LP**”) which hold interest in Hangzhou Vision Plus as limited partners;
- (iv) Suzhou Vision Plus has a registered capital of RMB800.8 million and seven partners, including, among others, Erjiu LP and Ruida LP, which hold interest in Suzhou Vision Plus as limited partners; and
- (v) Mr. Wu is the supervisor of, and effectively controls, Hangzhou Vision Plus Zhiheng Investment Management Company Limited^ (杭州元環致恒投資管理有限公司), which is the general partner of Hengxin LP and Ruida LP.

Based solely on the information provided by the management of the Target Company and publicly available information, the Company understands that:

- (i) the registered capital of Keguan Technology is currently held by the Target Founders as to approximately 98.04% and a minority individual shareholder who is not a party to the Capital Increase Agreement and the Equity Transfer Agreement as to approximately 1.96%;

- (ii) Hangzhou Weiran was established in the PRC as a limited partnership with a registered capital of RMB0.5 million and will be used as the shareholding vehicle of the employees of the Target Company (the “**Target Employees**”). While the registered capital of Hangzhou Weiran is held by Mr. Qiang as to 99% and Keguan Technology as to 1%, Hangzhou Weiran was established primarily as the shareholding vehicle of the Target Employees, and certain nominee arrangement is expected to be entered into by Mr. Qiang and Keguan Technology in favor of the Target Employees;
- (iii) Beijing Sequoia was established in the PRC as a limited partnership and is a reputable venture capital investment fund established in the PRC. Based solely on the public searches, Beijing Sequoia has a registered capital of RMB45.51 million and two partners;
- (iv) Hangzhou Rongche was established in the PRC as a limited partnership for investment holding purpose, with Keguan Technology acting as its general partner and a registered capital of RMB0.5 million; and
- (v) based solely on the public searches and save as disclosed above, each of the Target Founders does not have any interest in Beijing Sequoia, the Vision Plus LPs and Hangzhou Rongche.

To the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, other than the Vision Plus LPs which are associates of Mr. Wu, each of the Target Company, the Target Founders, the Existing Target Shareholders and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

INTERIM DIVIDEND

The Board has resolved that no interim dividend be declared for the six months ended September 30, 2020 (September 30, 2019: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company strives to continuously attain and maintain high standards of corporate governance as it believes that effective corporate governance practices are fundamental to safeguarding the interests of its shareholders and other stakeholders, and to enhancing shareholder value.

In the opinion of the Board, throughout the Reporting Period, the Company has complied with the code provisions (the “**Code Provisions**”) set out in the Corporate Governance Code under Appendix 14 to the Listing Rules, except in respect of the following matters:

According to Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhu Shunyan (“**Mr. Zhu**”) has been appointed as both the Chairman of the Board and the Chief Executive Officer of the Company, with effect from March 16, 2020. After joining the Group, Mr. Zhu is primarily responsible for overseeing the Group’s general management and business development and for formulating business strategies and policies for our business management and operations. The Directors consider that it is the most suitable for Mr. Zhu to hold both the positions of the Chairman of the Board and the Chief Executive Officer as they believe that it will ensure consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. The Board is also of the view that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of the Chairman of the Board and the Chief Executive Officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment. The appointment of Mr. Zhu as the executive Director, Chairman of the Board and Chief Executive Officer of the Company became effective on March 16, 2020. However, he was not subject to election by the shareholders of the Company at the adjourned special general meetings held on April 9, 2020 (which was originally scheduled to be held on March 30, 2020 and adjourned due to the prohibition of group gatherings of more than four people in public places in accordance with the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) (the “**SGMs**”) due to insufficient time to arrange the logistics in relation to the re-election of Mr. Zhu at the SGMs). However, given that Mr. Zhu was subject to retirement by rotation at the then next annual general meeting of the Company held on July 30, 2020 (the “**2020 AGM**”) according to the Company’s bye-laws, the Board considers that the Company’s bye-laws have provided adequate measures to ensure the Company has a good corporate governance practice in place. As a result, Mr. Zhu retired and offered himself for re-election and was re-elected as the executive Director at the 2020 AGM.

Code Provision C.1.2 stipulates that management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company’s performance, position and prospects in sufficient details to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. The Company from time to time, based on business needs and conditions, provides to the Board up-to-date business information and convenes ad hoc meetings for considering material business or management issues, so as to enable the Directors and the Board as a whole to discharge their duties.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules to regulate the dealings of the Directors in the Company’s securities. In response to specific enquiries by the Company, all Directors have confirmed that they have complied with the Model Code in their securities transactions throughout the Reporting Period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities.

REVIEW OF INTERIM RESULTS

The Group’s interim results for the Reporting Period have not been audited, but have been reviewed by the audit committee of the Company and the independent auditor of the Company, Ernst & Young.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (www.irasia.com/listco/hk/alihealth). The interim report for the Reporting Period will be dispatched to shareholders of the Company and available on the above websites in due course.

By Order of the Board
Alibaba Health Information Technology Limited
ZHU Shunyan
Chairman and Chief Executive Officer

Hong Kong, November 25, 2020

As at the date of this announcement, the Board comprises seven Directors, of which (i) two are executive Directors, namely Mr. ZHU Shunyan and Mr. TU Yanwu; (ii) two are non-executive Directors, namely Mr. WU Yongming and Mr. XU Hong; and (iii) three are independent non-executive Directors, namely Mr. LUO Tong, Mr. WONG King On, Samuel and Ms. HUANG Yi Fei (Vanessa).

[^] *For identification purpose only*