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, 2022

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, 2022 (the "**Reporting Period**") together with the unaudited comparative figures for the corresponding period of the preceding year (the "**Corresponding Period**"). The interim condensed consolidated financial statements have been reviewed by the audit committee of the Company.

HIGHLIGHTS

- During the Reporting Period, the Group maintained robust growth in revenue and recorded total revenue of approximately RMB11,500.6 million, representing an increase of 22.9% year-over-year. Its pharmaceutical direct sales business recorded a revenue of approximately RMB10,081.5 million, representing an increase of 24.2% year-over-year. Specifically, the revenue generated from prescription drug business increased by 46.2%. The Group recorded gross profit of approximately RMB2,300.7 million, and gross profit margin of 20.0%, while gross profit margin of the pharmaceutical direct sales business saw a year-over-year growth, which was attributable to the Group's stronger digital marketing capabilities and improved bargaining capabilities. For the six months ended September 30, 2022, the Group recorded a profit for the period of approximately RMB162.0 million, compared to a loss for the period of approximately RMB231.6 million for the Corresponding Period. Despite the increasingly competitive environment, the Group managed to grow by leveraging on the continuous growth in the number of users on the pharmaceutical direct sales business platforms, the operation refinement of the Group's business which has improved its bargaining and pricing capabilities and enhanced its operational efficiency, and the improvement in efficiency and cost sharing driven by the platform economies of scale, and hence achieved a turnaround from loss to profit for the six months ended September 30, 2022. During the 11.11 Global Shopping Festival which has recently concluded, the year-over-year growth rate in revenue generated from Tmall's Pharmaceutical Platform business achieved a significant improvement over the Reporting Period.

- As a leading pharmaceutical and healthcare products service platform in China, Alibaba Health's pharmaceutical e-commerce platform possesses the most comprehensive product catalog in terms of SKUs sold through the safest and the most reliable process. As at September 30, 2022, the number of merchants served by Alibaba Health increased by 2,000 to 27,000, compared to the number as at September 30, 2021. The number of SKUs also recorded a notable year-over-year increase of 8 million to over 48 million during the Reporting Period.

- Riding on the Group's competitive edge in its operation and brand, as well as the high execution efficiency of its workforce, the Group's pharmaceutical direct sales business recorded a revenue of approximately RMB10,081.5 million during the Reporting Period, representing an increase of 24.2% year-over-year. Specifically, the revenue generated from prescription drug business increased by 46.2%. The number of chronic disease users reached 7.3 million, representing a year-over-year increase of 46%, with the per capita length of medication use and repurchase rate continuously on the rise. As at September 30, 2022, the number of annual active consumers (those who made one or more actual purchase(s) in the direct online stores in the past 12 months) of the Group's direct online stores increased by more than 30 million to over 120 million, compared to 90 million as at September 30, 2021.

- In the field of pharmaceutical e-commerce, the Group's pharmaceutical direct sales business continued to deepen its collaboration with hundreds of pharmaceutical companies to set up 17 "direct sales healthcare centers" together, covering a range of conditions such as cardiovascular diseases, skin diseases and tumor. Through the Group's professional pharmaceutical services, consumers could gain access to professional and affordable one-stop digitalized healthcare and pharmaceutical services online. In terms of warehousing and logistics, the Group has further optimized its smart supply chain system. During the Reporting Period, the Group successfully brought its smart supply chain system to new heights by putting the Hangzhou Tangqi Warehouse, one of the largest digital single drug warehouses in Asia, into operation. It improved the Group's warehousing operation capability and efficiency significantly with a full adoption of digital and intelligent design. With regard to quality control, the Group focused on protecting user privacy by fostering strong partnerships with Taobao and Cainiao to implement privacy waybill for user transactions throughout the service chain, further safeguarding its users' information security.

- In terms of healthcare and digital services, the Group continued to enhance user experience during the Reporting Period by providing its users with a seamless online-to-offline system of professional healthcare services (including, among others, TCM, medical checkups, nucleic acid testing, medical consultation, appointment-making, vaccination, dental care, mental care, optometry and nursing) through a variety of channels such as Taobao, Tmall, Alipay, "Dr. Deer" APP, AMap, DingTalk, Freshippo and Quark. As at September 30, 2022, nearly 180,000 licensed physicians, pharmacists, nutritionists contracted with the Group to provide online health consultation, representing an increase of over 40,000 professionals (including those from Xiaolu TCM), compared to nearly 140,000 professionals as at September 30, 2021. In collaboration with thousands of points of vaccination, the Group offered vaccination appointment services to millions of users. As at September 30, 2022, Xiaolu TCM served a total of nearly 11 million patients, and achieved further improvement in its drug service network. During the Reporting Period, the revenue of the healthcare and digital services business amounted to approximately RMB419.3 million, representing an increase of 74.9% year-over-year.

KEY FINANCIAL FIGURES

	Six months ended September 30,		
	2022	2021	Change
	RMB'000	*RMB'000*	*%*
Revenue	**11,500,569**	9,357,715	22.9
Gross profit	**2,300,656**	1,870,775	23.0
Profit/(loss) for the period	**161,976**	(231,568)	N/A
Adjusted net profit/(loss)[1]	**350,054**	(282,850)	N/A

Note:

1 Adjusted net profit/(loss) 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 ("**FVPL**") (non-current portion), gain or loss on deemed disposal of interests in associates, and gain or loss on disposal of subsidiaries. By excluding the impact of such items which are not indicative of the Group's key operational performance, investors can better compare its operational performance across various periods.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Looking back on the six months ended September 30, 2022, the Internet healthcare and digital technologies played a more active role as the epidemic prevention and control against COVID-19 had gradually become a routine. In May 2022, the "Fourteenth Five-Year Plan for National Health Plan"^ (「十四五」國民健康規劃) issued by the General Office of the State Council of the People's Republic of China (the "**PRC**") clearly proposed to accelerate the establishment of a national health information system to enhance the information flow, and to step up efforts in the construction of Internet hospitals and Internet-enabled chronic disease management. In June 2022, the National Health Commission of the PRC issued the "Measures for the Administration of Internet Diagnosis and Treatment (Provisional)"^ (互聯網診療監管細則 (試行)) which further provided new guidelines on the regulation and development of Internet diagnosis and treatment. In September 2022, the State Administration for Market Regulation of the PRC issued the "Measures for the Supervision and Management of Online Drug Sales"^ (藥品網絡銷售監督管理辦法) which provided more specific requirements for promoting high-quality development of the pharmaceutical e-commerce sector. In October 2022, it was clearly indicated in the report made at the 20th National Congress of the Communist Party of China "Holding High the Great Banner of Socialism with Chinese Characteristics and Striving in Unity to Build a Modern Socialist Country in All Respects"^ (高舉中國特色社會主義偉大旗幟為全面建設社會主義現代化國家而團結奮鬥) that "the primary task of building China into a modern socialist country in all respects is to promote high-quality development". As one of the four pillars for pursuing the public's well-being, the health industry is regarded as a strategic priority. Building on the support and guidance of these policies and regulations, the industry has gradually embarked on a transition to become more standardized and regulated. With this background, the Company has taken the initiative to keep abreast of the latest political developments by maintaining a high level of compliance and quality control standards in the industry, honoring its commitment to provide its users with quality, efficient and professional medical and healthcare services. As a result, all business segments continued to achieve steady growth during the Reporting Period.

During the Reporting Period, the Group recorded revenue of approximately RMB11,500.6 million, representing an increase of 22.9% year-over-year. In view of the increasing demand for Internet healthcare, the Group continued to expand its offerings in pharmaceutical platform categories. During the Reporting Period, the Tmall's Pharmaceutical Platform reached over 48 million stock keeping units ("**SKUs**") of service products, serving over 27,000 merchants. Alibaba Health's pharmaceutical direct sales business achieved a revenue of approximately RMB10,081.5 million, while revenue generated from prescription drug business increased by 46.2%. As at September 30, 2022, the number of annual active consumers (those who made one or more actual purchase(s) in the Group's direct online stores in the past 12 months) of the Group's direct online stores exceeded 120 million. To cope with the increasingly competitive environment, the operation refinement of the Group's business has improved its bargaining and pricing capabilities and enhanced its operational efficiency and, together with the continued business growth and the improvement in efficiency and cost sharing driven by the platform economies of scale, the Group managed to achieve a turnaround from loss to profit for the six months ended September 30, 2022. In terms of risk management, in order to keep user data safe, the Group has fostered strong partnerships with Taobao and Cainiao to implement privacy waybill for user transactions throughout the service chain. In terms of the supply chain, the Group successfully brought its smart supply chain system to new heights by putting the warehouse in Tangqi town, Hangzhou operated by the Group (the "**Hangzhou Tangqi Warehouse**"), one of the largest digital single drug warehouses in Asia, into operation, of which maximum delivery capacity reaching an average of one million orders per day. With a focus on building its customer service capabilities, the Group concentrated on departmental-based service operations and upgraded its epidemic service ensurance system, with a view to provide users with more professional licensed pharmacist consultation services to achieve greater customer satisfaction. In the field of medical and healthcare services, as at September 30, 2022, nearly 180,000 licensed physicians, pharmacists and nutritionists contracted with the Group to provide online health consultation services, representing an increase of over 40,000 professionals (including those from Xiaolu traditional Chinese medicine ("**Xiaolu TCM**")), compared to nearly 140,000 professionals as at September 30, 2021.

As the flagship healthcare platform of Alibaba Group Holding Limited (together with its subsidiaries, "**Alibaba Group**"), the Group upholds its original intention to make healthcare services accessible. The Group will continue to consolidate and strengthen existing business foundations in healthcare, explore innovative business models, foster new business ventures in the industry and prepare for the future to align with the evolving needs of its customers, while maintaining high standards of compliance and quality control. The Group will utilize its leading digital technology and digital operation capabilities, with "cloud-based infrastructure" as the foundation, "cloud-based pharmacy" as the core, and "cloud-based hospital" as the engine to provide affordable, convenient, efficient and reliable medical and healthcare services to hundreds of millions of families.

Pharmaceutical E-commerce Business

The customer-centric pharmaceutical e-commerce business of Alibaba Health makes full use of its brand advantages and resources accumulated over the years. Building on its strengths in e-commerce, big data and cloud computing, Alibaba Health actively expands cooperations with recognized upstream pharmaceutical, nutritional and healthcare product manufacturers and distributors through a business model that integrates its pharmaceutical direct sales business, Tmall's Pharmaceutical Platform and new retail business. Through innovating and redesigning the three basic elements (that is persons, goods and venues), the Group aims to provide a comprehensive suite of Internet integrated healthcare management solutions for users with healthcare needs. During the Reporting Period, the pharmaceutical e-commerce business continued to promote the construction of its omni-category and omni-scenario healthcare and pharmaceutical service platform. As at September 30, 2022, the Group was not only authorized to manage or open nearly 14,000 flagship stores for brands on the Tmall platform, but also helped brands achieve excellent sales performance on Tmall.

- ***Pharmaceutical Direct Sales Business***

Adhering to its operation motto that highlights "professionalism and reliability", the Group's pharmaceutical direct sales business is committed to providing consumers from Tmall, Taobao, Alipay, Taobao Deals and Ele.me, with comprehensive, reliable and affordable healthcare services, including prescription drugs, over-the-counter (OTC) drugs, nutritional supplements, medical devices and contact lenses. Riding on the Group's competitive edge in its operation and brand, as well as the high execution efficiency of its workforce, the pharmaceutical direct sales business recorded a revenue of approximately RMB10,081.5 million during the Reporting Period, representing an increase of 24.2% year-over-year. Specifically, the revenue generated from prescription drug business increased by 46.2%. As at September 30, 2022, the number of annual active consumers (those who made one or more actual purchase(s) in the Group's direct online stores in the past 12 months) of the direct online stores increased by more than 30 million to over 120 million, compared to 90 million as at September 30, 2021.

In the field of prescription drugs, the Group's pharmaceutical direct sales business continued to deepen its collaboration with hundreds of pharmaceutical companies. By leveraging Alibaba Health's digital advantages and through its global ecological operation system, the Group has organized special events and activities highlighting certain diseases, product categories and specialist features to build service channels for patients, doctors and pharmaceutical companies. The Group's direct sales business is deeply involved in the operation of 17 "direct sales healthcare centers", covering a range of conditions such as cardiovascular diseases, skin diseases and tumor. Through the Group's professional pharmaceutical services, consumers could gain access to professional and affordable one-stop digitalized healthcare and pharmaceutical services online. In the non-pharmaceutical categories, the Group's direct sales business has always adhered to the business philosophy of providing its users with a full range of safe one-stop health products. During the Reporting Period, following the continuous enrichment of the supply of non-pharmaceutical categories and introduction of trending product categories, the number of the Group's non-pharmaceutical users increased significantly year-over-year. The Group will continue to undertake in-depth cooperations with thousands of brands, with a view to driving them towards digital transformation and upgrade through the empowerment of brand operations.

The Group also improved its supporting infrastructure and service capabilities in quality control, warehousing, logistics and customer services. With a focus on protecting user privacy, the Group has fostered strong partnerships with Taobao and Cainiao to implement privacy waybill for user transactions throughout the service chain, further safeguarding its users' information security. In terms of warehousing and logistics, the Group has further improved its smart supply chain system. During the Reporting Period, Hangzhou Tangqi Warehouse, one of the largest digital single drug warehouses in Asia, commenced operation, with a maximum delivery capacity reaching an average of one million orders per day. It features a digital and intelligent design and its application of tools such as smart storage area distribution and artificial intelligence picking has greatly improved the Group's warehousing operation capacity and efficiency. To improve user experience, the Group has been engaging in product transformation, developing its departmental-based service operations while upgrading its epidemic service ensurance system, in order to provide users with more professional licensed pharmacist consultation services to achieve greater customer satisfaction. Due to the Company's strong supply chain fulfilment capabilities, its leading digital technology and comprehensive product offering advantages, Alibaba Health was shortlisted by China's Ministry of Industry and Information Technology for "Key Reserve Unit for Drugs in Short Supply"^ (重點短缺藥品儲備企業) during the Reporting Period. In order to meet public demand for healthcare products, the Group will continue to play an active role in securing the supply of drugs that are in short supply.

- ***Pharmaceutical E-Commerce Platform Business — Tmall's Pharmaceutical Platform***

  As a leading pharmaceutical and healthcare products service platform in China, Alibaba Health's pharmaceutical e-commerce platform possesses the most comprehensive product catalog in terms of SKUs sold through the safest and the most reliable process. During the Reporting Period, the pharmaceutical e-commerce platform further diversified its product offerings and the number of its merchants and SKUs continued to grow. As at September 30, 2022, Alibaba Health served over 27,000 merchants, an increase of 2,000 compared to the number as at September 30, 2021. The number of SKUs also increased significantly by 8 million year-over-year to the current level of over 48 million during the Reporting Period. The Group continues to focus on customer operation refinement and has further solidified and enhanced the platform's influence within the industry based on user needs and mutual growth with merchants. In terms of pharmaceutical services, the platform continues to increase its supply under specialty drug product categories and enhance its cold chain logistics capabilities. In non-pharmaceutical categories, the Group promotes the creation of new category trends through omni-domain user education on medical devices, health food and nutritional supplements product categories. Through professional collaboration with experts and associations in the field, the platform has successively launched a series of professional guidelines, such as "Tmall's First User Guide For Nasal Wash"^ (天貓首個洗鼻器用戶指南) and "2022 Guidance for China's Colored Contact Lens Market"^ (2022中國彩瞳行業指南), which provide a systematic framework of reference for consumers. Tmall's healthcare platform has gradually formed a platform-led ecosystem that is co-founded by multiple brands for the dissemination of health knowledge. During the 11.11 Global Shopping Festival which has recently concluded, revenue generated from Tmall's Pharmaceutical Platform business achieved accelerated growth over the first half of the financial year.

- ***Pharmaceutical E-commerce Platform Business — New Retail Model***

  Upholding its original intention to make healthcare services accessible, the Group has been actively seeking collaboration with various local healthcare institutions. With the support of industry-leading technologies, the Group has been enriching its service scenarios that integrate online and offline access to "medication + medical care + medical insurance". During the Reporting Period, following the latest national policy directives and basing on the drug purchase model covered by medical insurance in Guangzhou and a few cities in Liaoning province, the Group obtained dual-channel qualifications for medical insurance in cities like Qingdao and Fuzhou, which further enhanced the accessibility of pharmaceutical products while making it more convenient for the insurants to seek medical consultation and purchase medicine.

Healthcare and Digital Services Business

The Group continued to enhance user experience of the professional healthcare services during the Reporting Period, providing its users with a seamless online-to-offline system of healthcare services (including, among others, traditional Chinese medicine ("**TCM**"), medical checkups, nucleic acid testing, medical consultation, appointment-making, vaccination, dental care, mental care, optometry and nursing) through a variety of channels such as Taobao, Tmall, Alipay, "Dr. Deer" APP, AMap, DingTalk, Freshippo and Quark. As at September 30, 2022, nearly 180,000 licensed physicians, pharmacists and nutritionists contracted with the Group to provide online health consultation, representing an increase of over 40,000 professionals (including those from Xiaolu TCM), compared to nearly 140,000 professionals as at September 30, 2021. During the Reporting Period, revenue generated from the healthcare and digital services business amounted to approximately RMB419.3 million, representing an increase of 74.9% year-over-year.

- ***Healthcare Services***

  By leveraging its abundant and quality reserve of medical practitioners, Alibaba Health has established a network of Internet hospitals. As a leader in digital technology and digital operation, the Group has launched a wide range of offerings, including online consultation, prescription refill, discounted medication, targeted education, precise follow-up visits, companion support and after-sales support services, which not only provided chronic disease patients with comprehensive healthcare services that are affordable and accessible, but also established a new portal for pharmaceutical companies to extend their services. As at September 30, 2022, the number of chronic disease users reached 7.3 million, representing an increase of 46% year-over-year, with the per capita length of medication use and repurchase rate continually on the rise. In addition to having developed their competencies in patient management covering 12 disease areas, including, among others, epilepsy, asthma and hepatitis B, the Internet hospitals within the Group's network have also formed cooperations with well-known domestic and foreign pharmaceutical companies, such as GlaxoSmithKline plc^ (葛蘭素史克) and Merck Sharp & Dohme (默沙東).

Alibaba Health remains committed to channel establishment, content operation, quality supply and merchant expansion of consumer healthcare services. In addition to offering users from multiple terminals (including, among others, Tmall, Alipay, "Dr. Deer" APP, Freshippo and AMap) consumer-grade and professional/medical-grade medical checkup services, it has also expanded its online omni-channel checkup appointment services to cover channels outside existing domains, while making breakthroughs in the development of emerging checkup service categories, such as digital therapy and discipline-specific prevention. Furthermore, the Group focused on in-depth development in vaccination services and related industries. By forming cooperations with thousands of points of vaccination, the Group aims to digitalize vaccination services, making them more convenient and accessible.

In terms of the TCM services, Xiaolu TCM continues to adhere to the concept of "reliable Chinese medicine". Driven by favorable industry policies and the increasing demand for TCM, the Group has, by leveraging on years of accumulated resource, technical and brand advantages in the Internet + TCM industry, further improved its capability in providing medical services while creating values for its users. During the Reporting Period, Xiaolu TCM co-established the "Service Platform for Appointment & Reservation with Top TCM Practitioners in Beijing"^ (首都名中醫掛號預約服務平台) with "Beijing Time"^ (北京時間). Through the integration of advantages and resources, such platform has effectively reduced the difficulties that the general public encounters when making appointments, thereby enhancing the accessibility of TCM services. As at September 30, 2022, Xiaolu TCM had 91,000 registered TCM practitioners, having served a total of nearly 11 million patients and achieved further improvement in its drug service network.

- ***Digital Tracking Business***

During the Reporting Period, the Group's proprietary "Ma Shang Fang Xin"^ (碼上放心) tracking platform business continued to maintain a steady pace of development. In terms of its drug tracking services, the "Ma Shang Fang Xin" platform has further advanced its whole-value-chain coverage over drug production, distribution, retail terminal pharmacies and healthcare institutions as China deepens the implementation of its drug tracking policy for key drug varieties across the entire chain. Prioritizing digitalized channel management of tracking codes while building product operation and digital service capacity based on the "one object, one code" approach, the "Ma Shang Fang Xin" platform has formed cooperations with more than 300 top pharmaceutical companies to provide them with services such as education on doctor-patient relations, channel management and digital marketing. In addition to the focus on pharmaceuticals, the "Ma Shang Fang Xin" platform continued to deepen its presence in the fields of various consumer goods such as medical devices, TCM supplements, agricultural products and imported goods, where it also achieved rapid development during the Reporting Period.

Public Service

Alibaba Health has, together with Alibaba Foundation, launched the "Join Us for Training on Yi Die Gu"^ (醫蝶谷一起學) training program. The Group has also collaborated with China Association of County Hospital President, Beijing Ling Feng Foundation and The Red Cross Society of China to provide free access to medical knowledge and skill training for grassroots doctors in less developed counties, so as to improve their ability to diagnose common illnesses and frequently-occurring diseases, raise their awareness about early identification of critical illness, and improve their ability to treat patients with serious diseases and provide emergency care. During the Reporting Period, Alibaba Health concentrated on building its cardiovascular capacities on the county-level. Through an integrated online and offline model, it held the first cardiovascular surgery competition, attracting tens of thousands of grassroots doctors.

"Xiao Lu Lantern"^ (小鹿燈) Children's Serious Disease Relief Platform was jointly initiated by governments at all levels, renowned medical units, medical experts, authoritative public welfare organizations as well as Alibaba Health Philanthropy, and supported by Alibaba's caring business merchants and Alibaba Foundation. The platform supplements the healthcare and support services provided by the State healthcare providers in less developed regions in China. It provides medical care access to the families with children of serious illnesses and difficulties, supports them with high-quality medical resources and assistance for medical expenses to alleviate their financial burden of receiving medical treatment, as well as associated traveling and accommodation costs. To resolve the problem of "the lack of information, healthcare resources and financial means", this platform has allowed numerous children to receive timely diagnosis and treatment. During the Reporting Period, the platform has expanded its scope of disease relief services to cover an additional hundreds of acquired diseases of three major categories on top of the 221 congenital diseases, which helps, to the greatest extent possible, children with both congenital and acquired diseases in the less developed regions. Besides, by targeting genetic diseases, the platform also provides genetic testing and expert's reproduction guidance services in order to help prevent families with children of genetic diseases from giving birth to another child with the same problem. As at September 30, 2022, the platform held 26 free medical consultation sessions covering over 300 towns in 26 counties in 14 provinces and over 5,000 children had received preliminary screenings, of whom more than 850 had entered into the aiding program.

Future Prospects

Alibaba Health will continue to uphold the value of longtermism, adhere to its objective of providing healthcare services through the Internet, and place user value as its priority. By utilizing the Internet, Alibaba Health will work closely with its partners from the Alibaba ecosystem and other technological innovation means as it pushes for healthcare innovation and deepens growth in the industry to provide quality health care services to users nationwide.

In the pharmaceutical e-commerce business, the Group will make full use of its platform-based brand advantages and experience in digital operation to acquire new users and develop new product categories. In addition to satisfying consumer demands for differentiated and diverse products, the Group will also build and diversify operational ecosystems, with a view to helping merchants on its platform grow in scale and strength. Similarly, in order to create and increase user value in a sustainable manner, the Group's direct sales business will further deepen its understanding of user needs, accelerate its cooperation with upstream pharmaceutical companies, and strengthen the connection between users and pharmaceutical companies. The Group will continue to explore and practice in the healthcare services industry and enhance its professional healthcare service capabilities. As part of its ongoing dedication to the Healthy China 2030 Plan, the Group will continue to improve the digitalization of its vaccination services, enhance the user experience and efficiency for obtaining vaccination related information and services and increase users' motivation to receive vaccination. Furthermore, it will continue to explore the field of medical care localization. By utilizing its strengths in Internet technologies, the Group aims to enrich its product offerings and improve service efficiency and quality in order to achieve long-term sustainable growth and returns and guide industry developments.

As a vanguard in the "Internet + Healthcare" industry, Alibaba Health is well aware of its responsibilities at present and the Group will follow closely the direction of the national policies, underpin its position as an industry leader in terms of compliance and quality control, focus on the healthcare needs of its users, and leverage its leading digital technology and digital operation capabilities. With "cloud-based infrastructure" as the foundation, "cloud-based pharmacy" as the core, and "cloud-based hospital" as the engine, the Group is committed to providing affordable, convenient, efficient and reliable medical and healthcare services to thousands of millions of families.

FINANCIAL REVIEW

The key financial data of the Group for the six months ended September 30, 2022 and September 30, 2021 is summarized as follows:

	Six months ended September 30,		
	2022	2021	Change
	RMB'000	*RMB'000*	*%*
Revenue	**11,500,569**	9,357,715	22.9
Gross profit	**2,300,656**	1,870,775	23.0
Gross profit margin	**20.0%**	20.0%	N/A
Fulfilment	**(974,491)**	(979,811)	(0.5)
Sales and marketing expenses	**(858,890)**	(983,714)	(12.7)
Administrative expenses	**(173,338)**	(170,531)	1.6
Product development expenses	**(323,986)**	(322,750)	0.4
Other income and gains	**263,047**	386,364	(31.9)
Share of profits of joint ventures	**19,952**	1,329	1,401.3
Share of losses of associates	**(19,567)**	(25,714)	(23.9)
Profit/(loss) for the period	**161,976**	(231,568)	N/A
NON-HKFRS ADJUSTMENTS			
Adjusted net profit/(loss)	**350,054**	(282,850)	N/A

— **Revenue**

Revenue of the Group for the Reporting Period amounted to RMB11,500,569,000, representing an increase of RMB2,142,854,000 or 22.9%, compared to RMB9,357,715,000 for the Corresponding Period. The increase in revenue was mainly attributable to the rapid growth of the pharmaceutical direct sales business and healthcare and digital services business during the Reporting Period.

— ***Pharmaceutical Direct Sales Business***

The pharmaceutical direct sales business of the Group comprises the direct business-to-customer ("**B2C**") retail, related advertisement business and the business-to-business centralized procurement and distribution business. During the Reporting Period, the overall revenue from pharmaceutical direct sales business reached RMB10,081,462,000, representing an increase of 24.2% year-over-year. The growth in revenue from the direct sales business was mainly attributable to the constant enrichment of categories of goods sold through the direct B2C retail and SKUs, the increased sales volume of prescription drugs driven by in-depth cooperation with pharmaceutical companies, as well as the continuous optimization of` user experience by adopting a number of measures, such as improving information security and providing of more professional consultation services.

— ***Pharmaceutical E-commerce Platform Business***

The pharmaceutical e-commerce platform business of the Group comprises the e-commerce platform business acquired from Alibaba Group (including categories of, among others, pharmaceutical products, health food, medical devices, sexual health and family planning products and contact lenses), and the provision of outsourced services to Tmall's Pharmaceutical Platform (in respect of categories other than those that have already been acquired) and new pharmaceutical retail business. During the Reporting Period, the total revenue of the above businesses amounted to RMB999,769,000.

— ***Healthcare and Digital Services Business***

During the Reporting Period, the Group continued to provide an enhanced experience in professional healthcare services with seamless online-to-offline offerings (including, among others, TCM, medical checkups and nucleic acid testing) to end users from a wide range of channels, such as Taobao, Tmall, Alipay, "Dr. Deer" APP, AMap, DingTalk, Freshippo and Quark. Digital services business includes tracking business. "Ma Shang Fang Xin", the Group's proprietary tracking platform, continued to grow steadily, offered more value-added services with further penetration into the area of distribution and increased the coverage of retail terminals. During the Reporting Period, the Group recorded a revenue of RMB419,338,000 from the healthcare and digital services business, representing an growth of 74.9% year-over-year.

— **Gross profit and gross profit margin**

The Group recorded gross profit for the Reporting Period of RMB2,300,656,000, representing an increase of RMB429,881,000 or 23.0% from RMB1,870,775,000 for the Corresponding Period. Gross profit margin for the Reporting Period remained flat at 20.0% over the Corresponding Period.

— **Other income and gains**

Other income and gains for the Reporting Period amounted to RMB263,047,000, which primarily comprised interest income incurred during the Reporting Period. The decrease from RMB386,364,000 for the Corresponding Period was mainly due to the decrease in fair value gain on financial assets at FVPL.

— **Fulfilment**

Warehousing, logistics and customer service expenses, commissions on the Tmall Platform, payment of handling fees and relevant staff costs incurred by the Group's pharmaceutical direct sales business were included in fulfilment costs. Fulfilment costs for the Reporting Period amounted to RMB974,491,000, representing a decrease of RMB5,320,000 from RMB979,811,000 for the Corresponding Period. During the Reporting Period, fulfilment costs as a proportion of the revenue generated from pharmaceutical direct sales business fell by approximately 2.4% to 9.7%, compared to 12.1% for the Corresponding Period. This reflected the Group's enhanced operating efficiency in respect of warehousing, logistics and customer services.

— **Sales and marketing expenses**

Sales and marketing expenses for the Reporting Period amounted to RMB858,890,000, representing a decrease of RMB124,824,000 or 12.7% compared to RMB983,714,000 for the Corresponding Period. The decrease was mainly attributable to the optimization of marketing and advertising strategies.

— **Administrative expenses**

Administrative expenses for the Reporting Period amounted to RMB173,338,000, representing an increase of RMB2,807,000 or 1.6% compared to RMB170,531,000 for the Corresponding Period. Benefiting from cost controls and sustained economies of scale, administrative expenses as a proportion of the Group's total revenue for the Reporting Period decreased to 1.5% from 1.8% as recorded for the Corresponding Period.

— **Product development expenses**

Product development expenses for the Reporting Period amounted to RMB323,986,000, representing an increase of RMB1,236,000 or 0.4% compared to RMB322,750,000 of the Corresponding Period. The product development expenses as a proportion of the Group's total revenue for the Reporting Period decreased to 2.8% from 3.4% as recorded for the Corresponding Period due to optimized cost controls and research and development strategies during the Reporting Period.

— **Share of profits of joint ventures**

Share of profits of joint ventures represents the share of net operating results of the joint venture held as to 13.7% by the Group, Jiangsu Zijin Hongyun Health Industry Investment Partnership (Limited Partnership)^ (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 profits of joint ventures was RMB19,952,000, compared to RMB1,329,000 for the Corresponding Period.

— **Share of losses of associates**

The Group actively invests in the healthcare segment. The Group's share of losses of associates for the Reporting Period amounted to RMB19,567,000, representing a decrease of RMB6,147,000 compared to the losses of RMB25,714,000 recorded for the Corresponding Period. Share of losses of associates for the Reporting Period was mainly attributable to the fact that progress of projects undertaken by some of the Group's associates engaged in providing services to hospitals was delayed due to the impact of COVID-19, and that some associates were still at the transformation or growing stage.

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

The Group's profit for the Reporting Period amounted to RMB161,976,000, compared to a loss of RMB231,568,000 for the Corresponding Period. The Group's adjusted net profit for the Reporting Period amounted to RMB350,054,000, compared to an adjusted net loss of RMB282,850,000 for the Corresponding Period. Adjusted net profit/(loss) 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 disposal of subsidiaries (net of tax), and gain or loss on deemed disposal of associates (net of tax). The adjusted net profit/loss for the Reporting Period achieved a turnaround from loss to profit, mainly attributable to the continuous growth in the number of users on pharmaceutical direct sales business platforms, the operation refinement of the Group's business which has improved its bargaining and pricing capabilities and enhanced its operational efficiency, and the improvement in efficiency and cost sharing driven by the platform economies of scale.

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/(loss), which is not required under, or presented in accordance with, HKFRSs, as an additional financial indicator. The Group believes that presenting the non-HKFRS indicator together with the relevant HKFRS indicator will facilitate investors to compare its operational performance across various periods by removing the potential impact of items which its management considers as not indicative of its operational performance. The Group believes that the non-HKFRS indicator provides investors and others with helpful information to understand and assess its consolidated operational results in the same way that its management does. However, the presentation of adjusted net (loss)/profit 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 considered as being independent of the operational results or financial position presented under HKFRSs, or as an a substitute for analyzing the relevant operational results or financial position. In addition, the definition of such non-HKFRS indicator may differ from the definitions of similar indicators used by other companies.

The adjusted net profit/(loss) for the six months ended September 30, 2022 and 2021 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 period):

	Six months ended September 30,	
	2022	2021
	RMB'000	*RMB'000*
Profit/(loss) for the period	**161,976**	(231,568)
Excluding		
— Share-based compensation	**154,392**	182,975
— Fair value (gain)/loss on financial assets at FVPL, net of tax	**33,686**	(210,555)
— Gain on deemed partial disposal of an associate, net of tax	**—**	(23,702)
Adjusted net profit/(loss)	**350,054**	(282,850)

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

For the six months ended September 30, 2022, the Group met its cash requirements primarily through cash generated from operating activities. The Group's cash and cash equivalents represent cash and bank balances. As at September 30, 2022 and March 31, 2022, the Group's cash and cash equivalents amounted to RMB11,255,033,000 and RMB10,547,851,000, respectively.

Cash flows of the Group for the six months ended September 30, 2022 and September 30, 2021 were as follows:

	Six months ended September 30,	
	2022	2021
	RMB'000	*RMB'000*
Net cash flows generated from operating activities	**504,049**	597,704
Net cash flows (used in)/generated from investing activities	**(736,551)**	1,341,079
Net cash flows used in financing activities	**(16,010)**	(20,816)
Net (decrease)/increase in cash and cash equivalents	**(248,512)**	1,917,967
Cash and cash equivalents at the beginning of the period	**9,341,427**	7,252,275
Effects of exchange rate changes	**309,910**	(123,909)
Cash and cash equivalents at the end of the period as stated in the interim condensed consolidated statement of cash flows	**9,402,825**	9,046,333
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	**11,255,033**	11,256,451
Non-pledged time deposits with original maturity over three months	**(1,852,208)**	(2,210,118)
Cash and cash equivalents at the end of period as stated in the interim condensed consolidated statement of cash flows	**9,402,825**	9,046,333

Net cash flows generated from operating activities

For the Reporting Period, net cash flows generated from operating activities amounted to RMB504,049,000, primarily attributable to profit before tax of RMB173,975,000, as adjusted by: (i) non-cash or non-operating activities expense items, which primarily comprised the addition of share-based compensation expenses of RMB154,392,000, and the deduction of bank and other interest income of RMB146,503,000; (ii) changes in working capital, which primarily comprised an increase in trade and bills payables of RMB223,067,000, an increase in prepayments, other receivables of RMB127,531,000, an increase in other payables and accruals of RMB71,791,000, an increase in inventories of RMB106,366,000; and (iii) addition of interest received of RMB136,651,000.

Net cash flows (used in)/generated from investing activities

For the Reporting Period, net cash flows used in investing activities amounted to RMB736,551,000, which was primarily attributable to the increase of the time deposits with original maturity of over three months of RMB474,715,000, net cash used in the payment of acquisition activities of RMB77,326,000, net cash used in the purchase of financial assets at FVPL of RMB142,420,000 during the Reporting Period.

Net cash flows used in financing activities

For the Reporting Period, net cash flows used in financing activities was RMB16,010,000, which was primarily attributable to the principal portion of lease payments of RMB24,195,000.

Gearing ratio

As at September 30, 2022, the Group did not have any borrowings, and hence no gearing ratio.

Charged on assets and contingent liabilities

As at September 30, 2022, the Group did not have any material contingent liabilities and had not pledged any Group's assets for bank loans or banking facilities.

Liquidity

The Group's operations and transactions are primarily located in the PRC. The Group has been prudent in managing its treasury functions and has 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 its assets, liabilities and other commitments can meet the Group's funding requirements from time to time.

Foreign exchange exposures

Except for certain bank balances and cash, most of the Group's bank balances and cash are fixed deposits 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 does not have a foreign exchange hedging policy, but its management will continue to closely monitor exchange rate fluctuations and will take appropriate measures to minimize foreign exchange risk. 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, 2022 was 1,581 (1,870 as at March 31, 2022). Total staff costs of the Group for the Reporting Period amounted to RMB630.3 million (RMB614.5 million for the six months ended September 30, 2021). 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 share options ("**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

During the Reporting Period, the Group did not purchase any short-term and liquid investments and financial assets. The Company has its own treasury policy setting 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 can invest 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. 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. As at September 30, 2022, the Company did not have any short-term investment at FVPL (balance as at March 31, 2022: Nil).

During the Reporting Period, the Group did not have any significant investments nor did the Group carry out any material acquisition and disposal of subsidiaries, associates and joint ventures.

INTERIM DIVIDEND

The Board has resolved that no interim dividend be declared for the six months ended September 30, 2022 (for the six months ended September 30, 2021: Nil).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended September 30, 2022

	Notes	**2022 Unaudited *RMB'000***	2021 Unaudited *RMB'000*
REVENUE	*4*	**11,500,569**	9,357,715
Cost of sales		**(9,199,913)**	(7,486,940)
Gross profit		**2,300,656**	1,870,775
Other income and gains	*5*	**263,047**	386,364
Operating expenses			
Fulfilment	*6*	**(974,491)**	(979,811)
Sales and marketing expenses		**(858,890)**	(983,714)
Administrative expenses		**(173,338)**	(170,531)
Product development expenses		**(323,986)**	(322,750)
Other expenses and losses		**(56,046)**	(5,073)
Finance costs	*7*	**(3,362)**	(737)
Share of profits/(losses) of:			
Joint ventures		**19,952**	1,329
Associates		**(19,567)**	(25,714)
PROFIT/(LOSS) BEFORE TAX	*8*	**173,975**	(229,862)
Income tax expense	*9*	**(11,999)**	(1,706)
PROFIT/(LOSS) FOR THE PERIOD		**161,976**	(231,568)
Attributable to:			
Owners of the parent		**160,661**	(231,771)
Non-controlling interests		**1,315**	203
		161,976	(231,568)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*11*		
Basic		**RMB1.19 cents**	RMB(1.72) cents
Diluted		**RMB1.19 cents**	RMB(1.72) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended September 30, 2022

	2022	2021
	Unaudited	Unaudited
	RMB'000	*RMB'000*
PROFIT/(LOSS) FOR THE PERIOD	**161,976**	(231,568)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Group's subsidiaries	**(431,544)**	(11,924)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	**984,570**	(156,510)
Equity investment designated at fair value through other comprehensive income:		
Changes in fair value	**(20,935)**	286
Income tax effect	**2,094**	(29)
	(18,841)	257
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**965,729**	(156,253)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**534,185**	(168,177)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**696,161**	(399,745)
Attributable to:		
Owners of the parent	**694,846**	(399,948)
Non-controlling interests	**1,315**	203
	696,161	(399,745)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at September 30, 2022

	Notes	**September 30, 2022 Unaudited** ***RMB'000***	March 31, 2022 Audited *RMB'000*
NON-CURRENT ASSETS			
Property and equipment		**18,223**	20,176
Right-of-use assets		**61,240**	144,930
Goodwill		**810,853**	810,853
Other intangible assets		**317,125**	326,215
Investments in joint ventures		**220,412**	160,660
Investments in associates		**2,318,721**	2,340,814
Equity investment designated at fair value through other comprehensive income		**135,913**	140,900
Financial assets at fair value through profit or loss		**1,824,076**	1,661,490
Other receivables and other assets		**24,215**	13,030
Deferred tax assets		**16,013**	17,390
Total non-current assets		**5,746,791**	5,636,458
CURRENT ASSETS			
Inventories		**1,608,807**	1,550,150
Trade and bills receivables	*12*	**533,094**	515,985
Prepayments, other receivables and other assets		**1,050,752**	864,875
Prepaid tax		**23,899**	23,525
Restricted cash		**104,120**	63,125
Cash and cash equivalents		**11,255,033**	10,547,851
Total current assets		**14,575,705**	13,565,511
CURRENT LIABILITIES			
Trade and bills payables	*13*	**3,750,396**	3,528,597
Other payables and accruals		**1,097,913**	941,376
Contract liabilities		**315,671**	260,678
Lease liabilities		**36,045**	50,656
Tax payable		**29,296**	40,826
Total current liabilities		**5,229,321**	4,822,133
NET CURRENT ASSETS		**9,346,384**	8,743,378
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,093,175**	14,379,836

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at September 30, 2022

	September 30, 2022 Unaudited *RMB'000*	March 31, 2022 Audited *RMB'000*
NON-CURRENT LIABILITIES		
Other payables	**6,424**	106,363
Lease liabilities	**52,188**	84,758
Deferred tax liabilities	**116,107**	116,483
Total non-current liabilities	**174,719**	307,604
Net assets	**14,918,456**	14,072,232
EQUITY		
Equity attributable to owners of the parent		
Share capital	**119,122**	119,102
Treasury shares	**(11,549)**	(23,516)
Reserves	**14,836,721**	14,002,833
	14,944,294	14,098,419
Non-controlling interests	**(25,838)**	(26,187)
Total equity	**14,918,456**	14,072,232

1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended September 30, 2022 (the "Reporting Period") has 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 information does 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, 2022, 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 information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended March 31, 2022, except for the adoption of the following revised HKFRSs for the first time for the current period's financial information.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after April 1, 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after April 1, 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after April 1, 2021, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at April 1, 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after April 1, 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3 OPERATING SEGMENT INFORMATION

The Group is primarily engaged in pharmaceutical direct sales business, pharmaceutical e-commerce platform business, healthcare and digital services 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 of distribution and development of pharmaceutical and healthcare business, accordingly, no further segment information is presented.

Geographical information

(a) Revenue from external customers

	Six months ended September 30,	
	2022	2021
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Mainland China	**11,333,309**	8,980,689
Hong Kong	**167,260**	377,026
	11,500,569	9,357,715

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,
	2022	2022
	Unaudited	Audited
	RMB'000	*RMB'000*
Mainland China	**3,589,486**	3,647,208
Hong Kong	**157,088**	156,440
	3,746,574	3,803,648

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets, an equity investment designated at fair value through other comprehensive income, financial assets at fair value through profit or loss and non-current receivables.

Information about a major customer

During the six months ended September 30, 2022, there was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group's revenue (for the six months ended September 30, 2021: Nil).

4 REVENUE

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

An analysis of revenue from contracts with customers is as follows:

	Six months ended September 30,	
	2022	2021
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Pharmaceutical direct sales business	**10,081,462**	8,118,994
Pharmaceutical e-commerce platform business*	**999,769**	998,921
Healthcare and digital services business*	**419,338**	239,800
	11,500,569	9,357,715

* Considering the continuous evolution of Xiaolu TCM e-commerce platform business and the strategic deployment of management in cosmetic medicine and other non-pharmaceutical services, Tmall pharmaceutical e-commerce platform business and Xiaolu TCM e-commerce platform business (previously under healthcare and digital services business) were integrated into pharmaceutical e-commerce platform business, while cosmetic medicine and other non-pharmaceutical services (previously under pharmaceutical e-commerce platform business) were included in healthcare and digital services business to better reflect the Group's current business and revenue streams, and the corresponding comparative amounts have been reclassified and restated to conform with the current period's presentation.

Disaggregated revenue information

	Six months ended September 30,	
	2022	2021
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Type of goods or services:		
Sale of products	**9,627,169**	7,664,374
Provision of services	**1,873,400**	1,693,341
	11,500,569	9,357,715
Timing of revenue recognition:		
At a point in time	**10,678,874**	8,737,181
Over time	**821,695**	620,534
	11,500,569	9,357,715

5 OTHER INCOME AND GAINS

	Six months ended September 30, 2022	2021
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Other income		
Bank interest income	**145,827**	85,029
Government grants	**60,846**	32,494
Foreign exchange differences, net	**44,245**	9,666
Management fee income from a joint venture	**4,852**	4,533
Other interest income	**676**	1,429
Dividend income from financial assets at fair value through profit or loss	**—**	3,750
Others	**2,931**	1,638
	259,377	138,539
Gains		
Fair value gain on financial assets at fair value through profit or loss, net	**—**	224,102
Gain on deemed partial disposal of associates	**—**	23,702
Gain on deregistration of subsidiaries	**1,021**	—
Gain on recognition of net investment in a sublease	**2,649**	—
Gain on disposal of items of property and equipment	**—**	21
	3,670	247,825
Total	**263,047**	386,364

6 FULFILMENT

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

7 FINANCE COSTS

	Six months ended September 30, 2022	2021
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Interest on lease liabilities	**3,362**	737

8 PROFIT/(LOSS) BEFORE TAX

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

		Six months ended September 30,	
		2022	2021
		Unaudited	Unaudited
	Note	***RMB'000***	*RMB'000*
Cost of goods sold*		**8,200,105**	6,601,557
Cost of services provided* (excluding employee benefit expense and share-based compensation expenses)		**925,200**	836,669
Loss on disposal of items of property and equipment		**80**	—
Depreciation of property and equipment		**5,109**	3,055
Depreciation of right-of-use assets		**21,674**	17,539
Amortisation of intangible assets		**9,114**	2,465
Fair value loss on contingent consideration included in other payables and accruals#		**11,085**	—
Fair value loss/(gain) on financial assets at fair value through profit or loss, net#	*5*	**36,885**	(224,102)
Impairment and write-off of inventories*		**47,775**	24,454
Impairment of trade receivables#		**391**	842
Loss on revision of a lease term arising from a change in the non-cancellable period of a lease		**3,167**	—
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages and salaries		**446,591**	405,041
Pension scheme contributions		**29,320**	26,462
Share-based compensation expenses		**154,392**	182,975
		630,303	614,478

These items are included in "Other income and gains" and "Other expenses and losses" 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.

9 INCOME TAX EXPENSE

	Six months ended September 30,	
	2022	2021
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Current — Hong Kong		
Charge for the period	**336**	61
Underprovision in prior years	**129**	—
Current — Mainland China		
Charge for the period	**9,116**	10,329
Underprovision in prior years	**566**	190
Deferred	**1,852**	(8,874)
Total tax charge for the period	**11,999**	1,706

Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended September 30, 2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

In Mainland China, the companies are subject to the PRC corporate income tax rate of 25% (for the six months ended September 30, 2021: 25%) except for two (for the six months ended September 30, 2021: two) PRC subsidiaries which are entitled to a preferential tax rate of 15% (for the six months ended September 30, 2021: 15%).

10 DIVIDENDS

The board of Directors (the "**Board**") has resolved that no interim dividend be declared for the six months ended September 30, 2022 (for the six months ended September 30, 2021: Nil).

11 EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share (for the six months ended September 30, 2021: loss per share) amount is based on the profit for the period attributable to owners of the parent of RMB160,661,000 (for the six months ended September 30, 2021: loss of RMB231,771,000), and the weighted average number of ordinary shares of 13,508,899,419 in issue during the period (for the six months ended September 30, 2021: 13,477,924,055).

No adjustment has been made to the basic loss per share amount presented for the six months ended September 30, 2021 in respect of a dilution as the impact of share options and restricted share units ("**RSUs**") outstanding had an anti-dilutive effect on the basic loss per share amount presented.

The calculation of the diluted earnings per share amount for the six months ended September 30, 2022 is based on the profit for the six months ended September 30, 2022 attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the six months ended September 30, 2022, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

11 EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

The calculations of basic and diluted earnings/(loss) per share are based on:

	Six months ended September 30,	
	2022	2021
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parents used in the basic earnings/(loss) per share calculation	**160,661**	(231,771)

	Number of shares	Number of shares
	Six months ended September 30,	
	2022	2021
	Unaudited	Unaudited
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	**13,508,899,419**	13,477,924,055
Effect of dilution — weighted average number of ordinary shares:		
Share options	**440,582**	—
Restricted share units	**11,746,373**	—
	13,521,086,374	13,477,924,055

12 TRADE AND BILLS RECEIVABLES

	September 30, 2022	March 31, 2022
	Unaudited	Audited
	RMB'000	*RMB'000*
Trade receivables	**559,973**	528,420
Impairment	**(27,111)**	(26,720)
	532,862	501,700
Bills receivable	**232**	14,285
	533,094	515,985

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.

12 TRADE AND BILLS RECEIVABLES (CONTINUED)

Included in the Group's trade and bills receivables as at September 30, 2022 are amounts due from subsidiaries of Alibaba Group of approximately RMB87,393,000 (March 31, 2022: RMB62,165,000 (audited)) and the Group's associates of approximately RMB104,000 (March 31, 2022: RMB77,000 (audited)), which are repayable on credit terms similar to those offered to other similar customers of the Group.

An ageing 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, 2022 Unaudited ***RMB'000***	March 31, 2022 Audited *RMB'000*
Within 3 months	**420,382**	398,206
4 to 12 months	**112,480**	101,519
Over 12 months	**—**	1,975
	532,862	501,700

13 TRADE AND BILLS PAYABLES

An ageing 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, 2022 Unaudited ***RMB'000***	March 31, 2022 Audited *RMB'000*
Within 3 months	**2,478,705**	2,110,566
4 to 12 months	**1,094,817**	1,236,627
Over 12 months	**176,874**	181,404
	3,750,396	3,528,597

Included in the Group's trade payables are amounts due to subsidiaries of Alibaba Group of approximately RMB1,330,358,000 (March 31, 2022: RMB1,492,580,000 (audited)), which are repayable on credit terms mutually agreed by the parties involved.

14 SUBSEQUENT EVENTS

In October 2022, a trustee of the Share Award Scheme purchased a total of 25,258,000 shares of the Company on the market, for a total consideration of HK$90,000,000 (equivalent to RMB81,582,000) to satisfy the share awards granted under the Share Award Scheme to the non-connected employees of the Company upon vesting.

15 APPROVAL OF THE INTERIM FINANCIAL INFORMATION

This interim condensed consolidated financial information was approved and authorised for issue by the Board on November 28, 2022.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"), except in respect of the following matters:

According to Code Provision C.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 (the "**Chairman**") and the chief executive officer of the Company (the "**Chief Executive Officer**"), 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 the Group's business management and operations. The Directors consider that it is the most suitable for Mr. Zhu to hold both the positions of the Chairman and the Chief Executive Officer as it will ensure consistent leadership within the Group and enable 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 the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of the Chairman 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 D.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 its own code for securities transactions by the (i) Directors; and (ii) certain officers and employees of the Company or its subsidiaries that are considered to be likely in possession of unpublished inside information in relation to the Company or its securities, on terms not less exacting than those in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

In response to specific enquiries made by the Company to all Directors, all Directors have confirmed that they have complied with the Model Code and the Company's code for securities transactions throughout the Reporting Period.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

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

MATERIAL CHANGES SINCE MARCH 31, 2022

Save for those disclosed in this announcement, there were no other material changes in the Group's financial position since the publication of the annual report for the year ended March 31, 2022 of the Company published on July 5, 2022 (the "**Annual Report**").

SUPPLEMENTAL INFORMATION TO THE ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2022

Reference is made to the section headed "Directors' Report — Share Award Scheme" in the Annual Report. The Directors would like to provide supplemental information in relation to the Options as follows:

(i) Number of the Options cancelled and lapsed separately for each categories of the grantees under Rule 17.07

During the year ended March 31, 2022, the number of Options lapsed and the number of Options cancelled for employees of the Group working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance (Chapter 57 of the laws of Hong Kong) under Rule 17.07(iii) of the Listing Rules, are 1,891,339 and nil, respectively. During the year ended March 31, 2022, no Options have been cancelled and/or lapsed separately for any of the other categories of grantees as set out under Rule 17.07 of the Listing Rules.

(ii) Minimum period for which an option must be held before it can be exercised

The minimum period for which Options must be held before it can be exercised shall be no less than one year from the date of its respective grant.

The above additional information does not affect other information contained in the Annual Report and save as disclosed above, the remaining contents of the Annual Report remain unchanged.

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 (www.hkex.com.hk) and the Company (www.irasia.com/listco/hk/alihealth). The interim report for the Reporting Period will be dispatched to the shareholders of the Company and available on the above websites in due course.

SUBSEQUENT EVENTS

In October 2022, a trustee of the Share Award Scheme purchased a total of 25,258,000 shares of the Company on the market, for a total consideration of HK$90,000,000 (equivalent to RMB81,582,000), to satisfy the share awards granted under the Share Award Scheme to the non-connected employees of the Company upon vesting. Save as disclosed in this announcement, there was no significant event which might affect the Group after September 30, 2022 and up to the date of this announcement.

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

Hong Kong, November 28, 2022

As at the date of this announcement, the Board comprises Mr. Zhu Shunyan, Mr. Shen Difan and Mr. Tu Yanwu as the executive Directors; Mr. Li Faguang as the non-executive Director; and Mr. Luo Tong, Mr. Wong King On, Samuel and Ms. Huang Yi Fei (Vanessa) as the independent non-executive Directors.

^ *For identification purposes only*