

2022

INTERIM REPORT



**Alibaba Health Information
Technology Limited**

Incorporated in Bermuda with limited liability | Stock code: **00241**

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CORPORATE INFORMATION

BOARD OF DIRECTORS**Executive Directors**

Mr. ZHU Shunyan
(Chairman and Chief Executive Officer)
 Mr. SHEN Difan
 Mr. TU Yanwu

Non-executive Director

Mr. LI Faguang

Independent Non-executive Directors

Mr. LUO Tong
 Mr. WONG King On, Samuel
 Ms. HUANG Yi Fei (Vanessa)

Audit Committee

Mr. WONG King On, Samuel *(Chairman)*
 Mr. LUO Tong
 Ms. HUANG Yi Fei (Vanessa)

Remuneration Committee

Ms. HUANG Yi Fei (Vanessa) *(Chairman)*
 Mr. LI Faguang
 Mr. WONG King On, Samuel

Nomination Committee

Mr. ZHU Shunyan *(Chairman)*
 Mr. LUO Tong
 Mr. WONG King On, Samuel

AUTHORIZED REPRESENTATIVES

Mr. ZHU Shunyan
 Ms. LEE Wai Yan Vivian (resigned on June 30, 2022)
 Ms. CHUN Ka Yan (appointed on June 30, 2022)

COMPANY SECRETARY

Ms. LEE Wai Yan Vivian (resigned on June 30, 2022)
 Ms. CHUN Ka Yan (appointed on June 30, 2022)

LEGAL ADVISORS

Taylor Wessing

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

REGISTERED OFFICE

Victoria Place
 5th Floor
 31 Victoria Street
 Hamilton HM 10
 Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

26/F, Tower One
 Times Square
 1 Matheson Street
 Causeway Bay
 Hong Kong

PRINCIPAL PLACE OF BUSINESS IN PRC

60/F, CITIC Tower
 Building 1, No.10 Courtyard, Guanghua Road
 Jianwai Subdistrict, Chaoyang District
 Beijing

PRINCIPAL SHARE REGISTRAR (IN BERMUDA)

Ocorian Management (Bermuda) Ltd.
 Canon's Court
 22 Victoria Street
 Hamilton HM 12
 Bermuda

BRANCH SHARE REGISTRAR (IN HONG KONG)

Tricor Secretaries Limited
 17/F, Far East Finance Centre
 16 Harcourt Road
 Hong Kong

PRINCIPAL BANKERS

China CITIC Bank International Limited
 The Hongkong and Shanghai Banking
 Corporation Limited
 China Merchants Bank Co., Ltd.
 Bank of Ningbo Co., Ltd
 JPMorgan Chase Bank
 Agricultural Bank of China

COMPANY WEBSITE

<http://www.irasia.com/listco/hk/alihealth/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Looking back on the six months ended September 30, 2022 (the “**Reporting Period**”), 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, Alibaba Health Information Technology Limited (the “**Company**” or “**Alibaba Health**”) 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 Company and its subsidiaries (collectively referred to as 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. 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 Reporting Period. 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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 people, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- ***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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 continuously 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

“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 Group’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 with 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 children 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 | | Change |
|-------------------------------------|------------------|------------------|------------|
| | September 30, | | |
| | 2022 | 2021 | |
| | (unaudited) | (unaudited) | |
| | 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 of the preceding year (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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

— **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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

— 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

— **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 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 (unaudited) RMB'000 | 2021 (unaudited) 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) |

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 (unaudited) RMB'000 | 2021 (unaudited) 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 |

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 (the "Board") of directors (the "Directors") of Alibaba Health 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 remuneration 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.

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 report, there was no significant event which might affect the Group after September 30, 2022 and up to the date of this report.

[^] For identification purposes only

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

DIRECTORS

The Directors during the Reporting Period and up to the date of this report were:

Executive Directors:

Mr. ZHU Shunyan (Chairman and Chief Executive Officer)

Mr. SHEN Difan

Mr. TU Yanwu

Non-executive Director:

Mr. LI Faguang

Independent Non-executive Directors:

Mr. LUO Tong

Mr. WONG King On, Samuel

Ms. HUANG Yi Fei (Vanessa)

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

The change in information of the Directors pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) since the date of the Company’s 2022 annual report, up to the date of this report is set out below:

With effect from May 12, 2022, Mr. LI Faguang was appointed as a non-independent director of 居然之家新零售集團股份有限公司 (Easyhome New Retail Group Co., Ltd.), a company listed on the Shenzhen Stock Exchange (Shenzhen Stock Exchange stock code: 000785).

SHARE AWARD SCHEME

At the special general meeting of the Company held on November 24, 2014 (the “**Adoption Date**”), the Shareholders approved the adoption of the Share Award Scheme. Unless terminated earlier by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date. The Share Award Scheme shall remain in effect until November 23, 2024. The validity period of the Options granted under the Share Award Scheme shall be ten years from the date of grant and the Options shall lapse upon the expiry of the validity period. The minimum period for which the Options must be held before it can be exercised shall be no less than one year from the date of its respective grant.

Pursuant to the terms of the Share Award Scheme, the Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each employee determined by the Board from time to time), select an employee or any other person for participation in the Share Award Scheme and determine the number of shares to be awarded (the “**Share Awards**”). The total number of

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION (CONTINUED)

shares in respect of which awards may be granted under the Share Award Scheme and any other share award schemes of the Company shall not exceed 3% of the shares in issue as at the Adoption Date (the “**Scheme Mandate Limit**”), or 3% of the shares in issue as at the date of approving the renewed Scheme Mandate Limit.

The specific mandate granted and renewed by the Shareholders at the annual general meeting of the Company held on July 30, 2021 (the “**2021 Specific Mandate**”) authorized the Board to exercise all the powers of the Company to grant Share Awards. The 2021 Specific Mandate lapsed at the conclusion of the annual general meeting of the Company held on August 5, 2022 when the specific mandate was then renewed by the approval of the Shareholders (the “**2022 Specific Mandate**”). As at September 30, 2022, Share Awards in respect of a total of 399,780,299 underlying shares, which represent approximately 2.96% of the Company’s total issued shares as at September 30, 2022, remain available to be granted under the Share Award Scheme under the 2022 Specific Mandate.

Details of the options and RSUs granted during the Reporting Period and/or outstanding as at September 30, 2022 under the Share Award Scheme are as below:

| Name of option holders/grantees of RSU | Nature | Number of shares represented by options or RSUs outstanding as at | | Granted during the period | Exercise price (HK\$) | Options exercised during the period ⁽¹⁶⁾ | Options or RSUs lapsed during the period | Options or RSUs cancelled during the period | RSUs vested during the period | Number of shares represented by options or RSUs outstanding as at | |
|--|----------------|---|---|---------------------------|-----------------------|---|--|---|-------------------------------|---|--------------------|
| | | March 31, 2022 | Date of grant/conditional grant ⁽¹⁵⁾ | | | | | | | September 30, 2022 | September 30, 2022 |
| Mr. ZHU Shunyan | Options | 2,900,000 | June 15, 2020 ⁽¹⁾ | — | 19,940 | — | — | — | — | 2,900,000 | |
| | RSUs | 500,000 | June 15, 2020 | — | — | — | — | — | 250,000 | 250,000 | |
| | Options | 421,250 | June 15, 2021 ⁽²⁾ | — | 18,212 | — | — | — | — | 421,250 | |
| | RSUs | 168,500 | June 15, 2021 | — | — | — | — | — | 28,083 | 140,417 | |
| | Options | — | June 15, 2022 ⁽³⁾ | 1,290,125 | 4,920 | — | — | — | — | 1,290,125 | |
| | RSUs | — | June 15, 2022 | 516,050 | — | — | — | — | — | 516,050 | |
| Total | Options | 3,321,250 | N/A | 1,290,125 | N/A | — | — | — | — | 4,611,375 | |
| | RSUs | 668,500 | N/A | 516,050 | N/A | — | — | — | 278,083 | 906,467 | |
| Mr. TU Yanwu | RSUs | 38,500 | June 14, 2019 | — | — | — | — | — | — | 38,500 | |
| | RSUs | 385,000 | September 18, 2019 | — | — | — | — | — | 192,500 | 192,500 | |
| | Options | 145,000 | June 15, 2020 ⁽¹⁾ | — | 19,940 | — | — | — | — | 145,000 | |
| | RSUs | 43,500 | June 15, 2020 | — | — | — | — | — | 14,500 | 29,000 | |
| | Options | 67,250 | June 15, 2021 ⁽²⁾ | — | 18,212 | — | — | — | — | 67,250 | |
| | RSUs | 26,900 | June 15, 2021 | — | — | — | — | — | 6,725 | 20,175 | |
| | Options | — | June 15, 2022 ⁽³⁾ | 283,250 | 4,920 | — | — | — | — | 283,250 | |
| | RSUs | — | June 15, 2022 | 113,300 | — | — | — | — | — | 113,300 | |
| Total | Options | 212,250 | N/A | 283,250 | N/A | — | — | — | — | 495,500 | |
| | RSUs | 493,900 | N/A | 113,300 | N/A | — | — | — | 213,725 | 393,475 | |
| Mr. SHEN Difan | RSUs | 125,000 | June 14, 2019 | — | — | — | — | — | — | 125,000 | |
| | Options | 336,750 | June 15, 2021 ⁽²⁾ | — | 18,212 | — | — | — | — | 336,750 | |
| | RSUs | 134,700 | June 15, 2021 | — | — | — | — | — | 33,675 | 101,025 | |
| | Options | — | June 15, 2022 ⁽³⁾ | 1,062,750 | 4,920 | — | — | — | — | 1,062,750 | |
| | RSUs | — | June 15, 2022 | 425,100 | — | — | — | — | — | 425,100 | |
| | Total | Options | 336,750 | N/A | 1,062,750 | N/A | — | — | — | — | 1,399,500 |
| | RSUs | 259,700 | N/A | 425,100 | N/A | — | — | — | 33,675 | 651,125 | |

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION (CONTINUED)

| Name of option holders/ grantees of RSU | Nature | Number of shares represented by options or RSUs outstanding as at | | Granted during the period | Exercise price (/HK\$) | Options exercised during the period ⁽¹⁶⁾ | Options or RSUs lapsed during the period | Options or RSUs cancelled during the period | RSUs vested during the period | Number of shares represented by options or RSUs outstanding as at September 30, 2022 |
|---|----------------|---|---|---------------------------|---------------------------|---|--|---|-------------------------------|--|
| | | March 31, 2022 | Date of grant/ conditional grant ⁽¹⁵⁾ | | | | | | | |
| 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) | Options | 508,000 | September 7, 2015 ⁽⁴⁾ | — | 5.184 | — | — | — | — | 508,000 |
| | Options | 187,250 | April 28, 2016 ⁽⁵⁾ | — | 5.320 | — | — | — | — | 187,250 |
| | Options | 1,838,000 | July 29, 2016 ⁽⁶⁾ | — | 5.558 | — | — | — | — | 1,838,000 |
| | Options | 775,500 | February 2, 2017 ⁽⁷⁾ | — | 3.626 | — | — | — | — | 775,500 |
| | Options | 331,000 | June 14, 2017 ⁽⁸⁾ | — | 3.902 | 183,000 | — | — | — | 148,000 |
| | Options | 1,684,250 | August 3, 2017 ⁽⁹⁾ | — | 3.686 | 562,500 | — | — | — | 1,121,750 |
| | Options | 2,020,250 | October 10, 2017 ⁽¹⁰⁾ | — | 4.400 | 1,476,500 | — | — | — | 543,750 |
| | Options | 689,500 | February 1, 2018 ⁽¹¹⁾ | — | 4.144 | 91,500 | — | — | — | 598,000 |
| | RSUs | 1,664,250 | July 31, 2018 | — | — | — | 18,250 | — | 1,646,000 | — |
| | RSUs | 515,328 | October 10, 2018 | — | — | — | — | — | 515,328 | — |
| | RSUs | 626,564 | January 31, 2019 | — | — | — | 226,564 | — | 29,000 | 371,000 |
| | RSUs | 4,914,750 | June 14, 2019 | — | — | — | 445,250 | — | — | 4,469,500 |
| | RSUs | 3,660,938 | August 2, 2019 | — | — | — | 229,000 | — | 1,801,750 | 1,630,188 |
| | RSUs | 617,050 | September 18, 2019 | — | — | — | 190,000 | — | 199,000 | 228,050 |
| | RSUs | 710,497 | February 24, 2020 | — | — | — | 60,000 | — | 110,800 | 539,697 |
| | RSUs | 941,609 | March 16, 2020 | — | — | — | 314,158 | — | 207,020 | 420,431 |
| | Options | 966,750 | June 15, 2020 ⁽¹⁾ | — | 19.940 | — | — | — | — | 966,750 |
| | RSUs | 8,828,075 | June 15, 2020 | — | — | — | 708,000 | — | 3,124,913 | 4,995,162 |
| | Options | 119,000 | September 15, 2020 ⁽¹²⁾ | — | 18.660 | — | — | — | — | 119,000 |
| | RSUs | 3,020,712 | September 15, 2020 | — | — | — | 244,125 | — | 1,141,551 | 1,635,036 |
| | RSUs | 1,576,950 | December 15, 2020 | — | — | — | 376,000 | — | 20,000 | 1,180,950 |
| | RSUs | 1,245,000 | March 15, 2021 | — | — | — | 188,000 | — | — | 1,057,000 |
| | Options | 838,000 | June 15, 2021 ⁽²⁾ | — | 18.212 | — | — | — | — | 838,000 |
| | RSUs | 16,466,600 | June 15, 2021 | — | — | — | 1,165,200 | — | 3,689,725 | 11,611,675 |
| | RSUs | 9,724,465 | September 15, 2021 | — | — | — | 1,197,898 | — | 1,471,087 | 7,055,480 |
| | Options | 100,000 | December 15, 2021 ⁽³⁾ | — | 7.438 | — | 100,000 | — | — | — |
| | RSUs | 2,362,900 | December 15, 2021 | — | — | — | 753,000 | — | — | 1,609,900 |
| | Options | 750,000 | March 15, 2022 ⁽⁴⁾ | — | 4.240 | — | — | — | — | 750,000 |
| | RSUs | 2,144,000 | March 15, 2022 | — | — | — | 75,000 | — | — | 2,069,000 |
| | Options | — | June 15, 2022 ⁽⁵⁾ | 4,707,625 | 4.920 | — | 212,500 | — | — | 4,495,125 |
| | RSUs | — | June 15, 2022 | 67,205,350 | — | — | 4,199,000 | — | — | 63,006,350 |
| | RSUs | — | September 15, 2022 | 5,823,302 | — | — | — | — | 676,652 | 5,146,650 |
| Total | Options | 10,807,500 | N/A | 4,707,625 | N/A | 2,313,500 | 312,500 | — | — | 12,889,125 |
| | RSUs | 59,019,688 | N/A | 73,028,652 | N/A | — | 10,389,445 | — | 14,632,826 | 107,026,069 |
| Employees of the affiliates of the Company | Options | 500,000 | June 15, 2020 ⁽¹⁾ | — | 19.940 | — | — | — | — | 500,000 |
| | RSUs | 667,500 | June 15, 2020 | — | — | — | 118,000 | — | 216,500 | 333,000 |
| | RSUs | 238,900 | June 15, 2021 | — | — | — | 18,900 | — | 55,000 | 165,000 |
| | RSUs | 18,200 | September 15, 2021 | — | — | — | — | — | 4,550 | 13,650 |
| Total | Options | 500,000 | N/A | — | N/A | — | — | — | — | 500,000 |
| | RSUs | 924,600 | N/A | — | N/A | — | 136,900 | — | 276,050 | 511,650 |

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION (CONTINUED)

Notes:

- (1) The closing price per share is HK\$20.65 as stated in the daily quotation sheets issued by the Stock Exchange on June 12, 2020, being the trading day immediately before the date of grant.
- (2) The closing price per share is HK\$17.90 as stated in the daily quotation sheets issued by the Stock Exchange on June 11, 2021, being the trading day immediately before the date of grant.
- (3) The closing price per share is HK\$4.74 as stated in the daily quotation sheets issued by the Stock Exchange on June 14, 2022, being the trading day immediately before the date of grant.
- (4) The closing price per share is HK\$5.02 as stated in the daily quotation sheets issued by the Stock Exchange on September 4, 2015, being the trading day immediately before the date of grant.
- (5) The closing price per share is HK\$5.23 as stated in the daily quotation sheets issued by the Stock Exchange on April 27, 2016, being the trading day immediately before the date of grant.
- (6) The closing price per share is HK\$5.55 as stated in the daily quotation sheets issued by the Stock Exchange on July 28, 2016, being the trading day immediately before the date of grant.
- (7) The closing price per share is HK\$3.59 as stated in the daily quotation sheets issued by the Stock Exchange on February 1, 2017, being the trading day immediately before the date of grant.
- (8) The closing price per share is HK\$3.92 as stated in the daily quotation sheets issued by the Stock Exchange on June 13, 2017, being the trading day immediately before the date of grant.
- (9) The closing price per share is HK\$3.63 as stated in the daily quotation sheets issued by the Stock Exchange on August 2, 2017, being the trading day immediately before the date of grant.
- (10) The closing price per share is HK\$4.01 as stated in the daily quotation sheets issued by the Stock Exchange on October 9, 2017, being the trading day immediately before the date of grant.
- (11) The closing price per share is HK\$4.09 as stated in the daily quotation sheets issued by the Stock Exchange on January 31, 2018, being the trading day immediately before the date of grant.
- (12) The closing price per share is HK\$18.76 as stated in the daily quotation sheets issued by the Stock Exchange on September 14, 2020, being the trading day immediately before the date of grant.
- (13) The closing price per share is HK\$7.35 as stated in the daily quotation sheets issued by the Stock Exchange on December 14, 2021, being the trading day immediately before the date of grant.
- (14) The closing price per share is HK\$3.76 as stated in the daily quotation sheets issued by the Stock Exchange on March 14, 2022, being the trading day immediately before the date of grant.
- (15) The options and RSUs granted have a specific vesting schedule of not more than four years.
- (16) The weighted average closing price of the shares immediately before the dates on which the options granted to the employees were exercised calculated by the closing price per Share as stated in the daily quotation sheets issued by the Stock Exchange is HK\$4.561 per share.

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION (CONTINUED)

The Company estimated the fair value of its share options using the binomial model, which requires the Group to make estimates about inputs, such as expected volatility, expected dividend yield, exercise multiple, risk-free interest rate and expected forfeiture rate, and hence such estimate is subject to subjectivity and uncertainty. For the accounting policy adopted for the Share Awards and the estimated fair value of the options granted during the six months ended September 30, 2021 and 2022, respectively, please refer to Note 29 to the Group's consolidated financial statements for the year ended March 31, 2022 and Note 15 to the interim condensed consolidated financial statements for the six months ended September 30, 2022.

DIRECTORS AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section titled "Connected Transactions" of the Company's annual report dated May 25, 2022 (the "Annual Report") and except for any perceived material interest in transactions between members of Alibaba Group and the Company due to their role as employees of Alibaba Holding or its subsidiaries as disclosed in the section titled "Biographical Information of Directors and Senior Management" of the Annual Report, no Director or controlling Shareholder had a material interest, either directly or indirectly, in any contract of significance (whether for the provision of services to the Company or any of its subsidiaries or not) to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at September 30, 2022, the interests and short positions of the Directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO"), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in shares and underlying shares of the Company**Number of ordinary shares and underlying shares held, capacity and nature of interest**

| Name of Director | Nature of interest | Total interest in shares | Approximate percentage of the Company's share capital |
|-------------------------|---|---------------------------------|--|
| Mr. ZHU Shunyan | Beneficial owner and equity derivative interests ⁽¹⁾ | 6,695,925 | 0.05%# |
| Mr. TU Yanwu | Beneficial owner and equity derivative interests ⁽²⁾ | 1,561,203 | 0.01%# |
| Mr. SHEN Difan | Beneficial owner and equity derivative interests ⁽³⁾ | 3,020,300 | 0.02%# |

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION (CONTINUED)

Notes:

- (1) Mr. ZHU Shunyan beneficially held 1,178,083 ordinary shares of the Company and subject to vesting, he is interested in 5,517,842 shares underlying the 4,611,375 options and 906,467 RSUs granted to him in accordance with the Share Award Scheme.
- (2) Mr. TU Yanwu beneficially held 672,228 ordinary shares of the Company and subject to vesting, he is interested in 888,975 shares underlying the 495,500 options and 393,475 RSUs granted to him in accordance with the Share Award Scheme.
- (3) Mr. SHEN Difan beneficially held 969,675 ordinary shares of the Company and subject to vesting, he is interested in 2,050,625 shares underlying the 1,399,500 options and 651,125 RSUs granted to him in accordance with the Share Award Scheme.

Based on a total of 13,520,120,042 shares of the Company in issue as at September 30, 2022.

Long positions in shares and underlying shares of Alibaba Holding, an associated corporation of the Company within the meaning of Part XV of the SFO

| Name of Director | Nature of interest | Number of shares/ underlying shares held | Approximate percentage of issued shares of associated corporation |
|------------------|--|--|---|
| Mr. ZHU Shunyan | Beneficial owner, equity derivative interests and interests of spouse ⁽¹⁾ | 3,141,856* | 0.01%# |
| Mr. TU Yanwu | Equity derivative interests ⁽²⁾ | 12,400* | 0.00%# |
| Mr. SHEN Difan | Beneficial owner, equity derivative interests and interests of spouse ⁽³⁾ | 178,560* | 0.00%# |
| Mr. LI Faguang | Beneficial owner and equity derivative interests ⁽⁴⁾ | 127,728* | 0.00%# |

Notes:

- (1) These interests represented 2,167,800* ordinary shares or underlying ordinary shares and 814,056* restricted share units beneficially held by Mr. ZHU Shunyan and 160,000* ordinary shares or underlying shares held by his spouse.
- (2) These interests represented 12,400* restricted share units beneficially held by Mr. TU Yanwu.
- (3) These interests represented 93,888* ordinary shares or underlying ordinary shares and 4,000* restricted share units beneficially held by Mr. SHEN Difan and 80,672* ordinary shares or underlying shares held by his spouse.
- (4) These interests represented 23,424* ordinary shares or underlying ordinary shares and 104,304* restricted share units beneficially held by Mr. LI Faguang.

* Alibaba Holding approved to effect a one-to-eight share subdivision of its ordinary shares (the "Share Subdivision") at the annual general meeting held on July 15, 2019. The Share Subdivision was effective on July 30, 2019. Accordingly, Alibaba Holding has changed its ratio of ordinary shares to American depositary shares ("ADSs") from one ADS representing one ordinary share to one ADS representing eight ordinary shares. The ratio of restricted share units to ordinary shares of Alibaba Holding has also changed from one restricted share unit representing one ordinary share to one restricted share unit representing eight ordinary shares.

Based on a total of 21,180,285,568 ordinary shares of Alibaba Holding in issue as at September 30, 2022.

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION (CONTINUED)

Save as disclosed above, as at September 30, 2022, none of the Directors and chief executive had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at September 30, 2022, the following interests or short positions in the shares and underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions:

| Name | Capacity and nature of interest | Number of shares/ underlying shares | % of the issued share capital of the Company |
|---|---|-------------------------------------|--|
| Alibaba Group Holding Limited | Interest of controlled corporation ⁽¹⁾ | 7,713,318,533 | 57.05% [#] |
| Perfect Advance Holding Limited | Beneficial owner ⁽¹⁾ | 3,103,816,661 | 22.96% [#] |
| Alibaba Investment Limited | Interest of controlled corporation ⁽¹⁾ | 3,103,816,661 | 22.96% [#] |
| | Beneficial owner ⁽¹⁾ | 48,716,465 | 0.36% [#] |
| Ali JK Nutritional Products Holding Limited | Beneficial owner ⁽¹⁾ | 4,560,785,407 | 33.73% [#] |
| Uni-Tech International Group Limited | Beneficial owner ⁽²⁾ | 777,484,030 | 5.75% [#] |
| 21CN Corporation | Interest of controlled corporation ⁽²⁾ | 777,484,030 | 5.75% [#] |
| Pollon Internet Corporation | Interest of controlled corporation ⁽²⁾ | 777,484,030 | 5.75% [#] |
| Ms. CHEN Xiao Ying | Interest of controlled corporation ⁽²⁾ | 777,484,030 | 5.75% [#] |

Notes:

- (1) Perfect Advance Holding Limited (“**Perfect Advance**”) holds 3,103,816,661 shares of the Company. Perfect Advance is wholly-owned by Alibaba Investment Limited (“**AIL**”), which is in turn wholly-owned by Alibaba Holding. For the purpose of Part XV of the SFO, as Perfect Advance is interested in 3,103,816,661 shares of the Company, AIL is deemed to have an interest in 3,103,816,661 shares of the Company via Perfect Advance.

On May 20, 2022, Innovare Tech Limited (“**Innovare**”) made a distribution in specie (the “**Distribution**”) in respect of 641,090,678 shares of the Company to the limited partners of Yunfeng Fund II, L.P., the beneficial owner of all the voting equity capital in Innovare, based on their respective pro rata entitlements in Innovare. Upon the Distribution, Innovare ceased to have a notifiable interest of 5% or more of the voting shares of the Company within the meaning of the SFO. For details, please refer to the announcement of the Company dated May 20, 2022. As part of the Distribution, 48,716,465 shares of the Company were distributed to AIL. As such, AIL is interested in an aggregate of 3,152,533,126 shares of the Company.

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION (CONTINUED)

Ali JK Nutritional Products Holding Limited (“**Ali JK**”) holds 4,560,785,407 shares of the Company. Ali JK is wholly-owned by Alibaba Holding. Therefore, Alibaba Holding is deemed to have an interest in an aggregate of 7,713,318,533 shares of the Company via AIL, Perfect Advance and Ali JK within the meaning of Part XV of the SFO.

- (2) Uni-Tech International Group Limited holds 777,484,030 shares of the Company and is wholly-owned by 21CN Corporation. 21CN Corporation is wholly-owned by Pollon Internet Corporation, which is wholly-owned by Ms. CHEN Xiao Ying.

Based on a total of 13,520,120,042 shares of the Company in issue as at September 30, 2022.

Save as disclosed above, as at September 30, 2022, there were no other parties who had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

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).

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.

ISSUE FOR CASH OF EQUITY SECURITIES

Placing of New Shares under General Mandate

On August 5, 2020, the Company entered into a placing agreement (the “**Placing Agreement**”) with Citigroup Global Markets Limited and Credit Suisse (Hong Kong) Limited (the “**Placing Agents**”) in relation to the placing of an aggregate of 498,753,118 new ordinary shares of the Company (the “**Placing Share(s)**”) at the placing price of HK\$20.05 per Placing Share (exclusive of brokerage, transaction levy of the Securities and Futures Commission and trading fee of the Stock Exchange payable by the purchasers) (the “**Placing Price**”) on the terms and conditions set out in the Placing Agreement (the “**Placing**”). The aggregate nominal value of the Placing Shares was HK\$4,987,531.18. The Placing Price of HK\$20.05 per Placing Share represents (i) a discount of approximately 8.03% to the closing price of HK\$21.80 per share as quoted on the Stock Exchange on August 4, 2020, being the last trading day immediately prior to the date of the Placing Agreement; and (ii) a discount of approximately 6.18% to the average closing price of HK\$21.37 per share as quoted on the Stock Exchange for the last five consecutive trading days up to and including August 4, 2020, being the date immediately prior to the date of the Placing Agreement. As stated in the daily quotation sheets issued by the Stock Exchange, on August 5, 2020, being the date which the Placing Agreement was entered into, the closing price per share was HK\$21.25. The Group conducted the Placing based on its insights into, and optimism for the prospects of, the Internet healthcare industry, as well as the need for the Group to further develop its healthcare business and continue its rapid development. The Group viewed the Placing as an opportunity for the Group to raise capital while broadening its shareholder and capital base.

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION (CONTINUED)

The Placing was completed on August 12, 2020 (the “**Completion Date**”), where a total of 498,753,118 new ordinary shares of the Company, representing approximately 3.71% of the total issued share capital of the Company as at the Completion Date (as enlarged by the allotment and issue of the Placing Shares), have been successfully placed to not less than six placees at a price of HK\$20.05 per Placing Share who are professional, institutional and/or individual investors. The Placing Shares were allotted and issued under the general mandate granted by the Shareholders at the annual general meeting of the Company held on July 30, 2020.

The aggregate gross proceeds from the Placing amount to approximately HK\$10,000.0 million and the aggregate net proceeds (after deduction of the commissions and expenses relating to the Placing) from the Placing amount to approximately HK\$9,964.2 million (the “**Placing Net Proceeds**”), representing a net issue price of approximately HK\$19.98 per Placing Share. For further details of the Placing, please refer to the announcements of the Company dated August 5, 2020 and August 12, 2020 (the “**Placing Announcements**”).

As at September 30, 2022, the Group had applied the Placing Net Proceeds as follows:

| Use of Placing Net Proceeds | Planned use of Placing Net Proceeds as disclosed in the Placing Announcements | Total amount of Placing Net Proceeds utilized as at March 31, 2022 | Actual use of Placing Net Proceeds for the six months ended September 30, 2022 | Unutilized Placing Net Proceeds | Expected timeframe for utilizing the Placing Net Proceeds ^(Note) |
|--|---|--|--|---|---|
| Develop the Group's pharmaceutical and healthcare omni-channel business and medical and healthcare services business | Approximately HK\$7,971.4 million–HK\$8,967.8 million | HK\$2,413.2 million | HK\$670.2 million | HK\$4,888.0 million–HK\$5,884.4 million | March 31, 2024–March 31, 2027 |
| Further develop the Group's digital infrastructure and innovative business | Approximately HK\$996.4 million–HK\$1,992.8 million | HK\$655.1 million | HK\$65.9 million | HK\$275.4 million–HK\$1,271.8 million | March 31, 2024–March 31, 2027 |

Note:

The Placing Net Proceeds have been and will be applied in the manner consistent with the use of proceeds as disclosed in the Placing Announcements. The expected timeframe for utilizing the Placing Net Proceeds is based on the best estimation of the future market conditions made by the Group as at the date of this report. It will be subject to change based on the current and future developments of market conditions. The Board considers that the expected timeline of the full utilization of the unutilized Placing Net Proceeds shall be within coming two to five years, which is from March 31, 2024 to March 31, 2027 having taken into account the recent market conditions and the business environment and development of the Group. Due to the fluctuation in the market conditions caused by the lingering COVID-19 pandemic, the Company will continue to closely monitor future developments in the market and economic environment in order to optimize the Group's resources and timeframe for the application of the unutilized Placing Net Proceeds. The remaining unutilized portion of the Placing Net Proceeds has been deposited in reputable banks.

Save as disclosed above and the options exercised by the relevant grantees under the Share Award Scheme as disclosed in this report, the Company had not issued for cash any equity securities (including securities convertible into equity securities) for the Reporting Period and no other proceeds has been brought forward from any issue of securities for cash as at September 30, 2022.

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION (CONTINUED)

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. It has adopted the Corporate Governance Code (“**CG Code**”) as set out in Appendix 14 to the Listing Rules.

In the opinion of the Board, throughout the Reporting Period, the Company has complied with all applicable code provisions (the “**Code Provisions**”) set out in the CG Code, 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 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 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 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.

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.

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION (CONTINUED)

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.

Hong Kong

November 28, 2022

[^] For identification purposes only

INDEPENDENT REVIEW REPORT



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To the board of directors of Alibaba Health Information Technology Limited

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 31 to 66, which comprises the condensed consolidated statement of financial position of Alibaba Health Information Technology Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as at September 30, 2022 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT REVIEW REPORT (CONTINUED)

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

November 28, 2022

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 (Unaudited) RMB'000 | 2021 (Unaudited) RMB'000 |
|---|--------------------------------|--------------------------------|
| PROFIT/(LOSS) FOR THE PERIOD | <u>161,976</u> | <u>(231,568)</u> |
| 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 | <u>(431,544)</u> | <u>(11,924)</u> |
| 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 | <u>2,094</u> | <u>(29)</u> |
| | <u>(18,841)</u> | <u>257</u> |
| Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods | <u>965,729</u> | <u>(156,253)</u> |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX | <u>534,185</u> | <u>(168,177)</u> |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD | <u>696,161</u> | <u>(399,745)</u> |
| Attributable to: | | |
| Owners of the parent | 694,846 | (399,948) |
| Non-controlling interests | <u>1,315</u> | <u>203</u> |
| | <u>696,161</u> | <u>(399,745)</u> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2022

| <i>Notes</i> | September 30, 2022 (Unaudited) RMB'000 | March 31, 2022 (Audited) RMB'000 |
|---|---|---|
| NON-CURRENT ASSETS | | |
| | 18,223 | 20,176 |
| Property and equipment | | |
| 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 | 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 | 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

| | <i>Notes</i> | 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 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 174,719 | 307,604 |
| | | <hr/> | <hr/> |
| Net assets | | 14,918,456 | 14,072,232 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | 14 | 119,122 | 119,102 |
| Treasury shares | 14 | (11,549) | (23,516) |
| Reserves | | 14,836,721 | 14,002,833 |
| | | <hr/> | <hr/> |
| | | 14,944,294 | 14,098,419 |
| | | <hr/> | <hr/> |
| Non-controlling interests | | (25,838) | (26,187) |
| | | <hr/> | <hr/> |
| Total equity | | 14,918,456 | 14,072,232 |
| | | <hr/> <hr/> | <hr/> <hr/> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended September 30, 2022

| Note | Attributable to owners of the parent | | | | | | | | | | | Non-controlling interests | Total equity |
|---|--------------------------------------|-------------------------|-----------------|---------------------------|------------------------------|---|---|----------------------|--------------------------|------------|----------|---------------------------|--------------|
| | Share capital | Share premium account | Treasury shares | Merger reserve | Exchange fluctuation reserve | Employee share-based compensation reserve | Fair value reserve of financial assets at fair value through other comprehensive income | Other reserve | Accumulated losses | Total | | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At April 1, 2022 (audited) | 119,102 | 43,499,897 ^A | (23,516) | (28,189,579) ^A | (724,479) ^A | 460,077 ^A | 28,529 ^A | 237,401 ^A | (1,309,013) ^A | 14,098,419 | (26,187) | 14,072,232 | |
| Profit for the period (unaudited) | - | - | - | - | - | - | - | - | 160,661 | 160,661 | 1,315 | 161,976 | |
| Other comprehensive income/(loss) for the period (unaudited): | | | | | | | | | | | | | |
| Changes in fair value of the equity investment at fair value through other comprehensive income, net of tax (unaudited) | - | - | - | - | - | - | (18,841) | - | - | (18,841) | - | (18,841) | |
| Exchange differences on translation of the Company and its subsidiaries (unaudited) | - | - | - | - | 553,026 | - | - | - | - | 553,026 | - | 553,026 | |
| Total comprehensive income/(loss) for the period (unaudited) | - | - | - | - | 553,026 | - | (18,841) | - | 160,661 | 694,846 | 1,315 | 696,161 | |
| Share-based compensation expenses (unaudited) | - | - | - | - | - | 120,557 | - | - | - | 120,557 | - | 120,557 | |
| Vested awarded shares transferred to employees (unaudited) | - | 162,595 | 11,967 | - | - | (159,834) | - | 7,823 | - | 22,551 | - | 22,551 | |
| Exercise of share options (unaudited) | 20 | 12,423 | - | - | - | (4,258) | - | - | - | 8,185 | - | 8,185 | |
| Deemed interest in an interest-free loan to a non-wholly owned subsidiary (unaudited) | - | - | - | - | - | - | - | (225) | - | (225) | 225 | - | |
| Deregistration of a subsidiary (unaudited) | - | - | - | - | - | - | - | - | - | - | (1,191) | (1,191) | |
| Appropriation of statutory reserves (unaudited) | - | - | - | - | - | - | - | 44,001 | (44,001) | - | - | - | |
| Share of capital reserve of an associate (unaudited) | - | - | - | - | - | - | - | (39) | - | (39) | - | (39) | |
| At September 30, 2022 (unaudited) | 119,122 | 43,674,915 ^A | (11,549) | (28,189,579) ^A | (171,453) ^A | 416,542 ^A | 9,688 ^A | 288,961 ^A | (1,192,353) ^A | 14,944,294 | (25,838) | 14,918,456 | |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended September 30, 2021

| Note | Attributable to owners of the parent | | | | | | | | | | | Non-controlling interests | Total equity |
|---|--------------------------------------|-----------------------|-----------------|----------------|------------------------------|---|---|---------------|--------------------|------------|----------|---------------------------|--------------|
| | Share capital | Share premium account | Treasury shares | Merger reserve | Exchange fluctuation reserve | Employee share-based compensation reserve | Fair value reserve of financial assets at fair value through other comprehensive income | Other reserve | Accumulated losses | Total | | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At April 1, 2021 (audited) | 118,859 | 43,281,281 | (22,265) | (28,189,579) | (452,462) | 363,949 | 43,971 | 143,848 | (985,652) | 14,301,950 | (20,346) | 14,281,604 | |
| Loss for the period (unaudited) | - | - | - | - | - | - | - | - | (231,771) | (231,771) | 203 | (231,568) | |
| Other comprehensive income/(loss) for the period (unaudited): | | | | | | | | | | | | | |
| Changes in fair value of the equity investment at fair value through other comprehensive income, net of tax (unaudited) | - | - | - | - | - | - | 257 | - | - | 257 | - | 257 | |
| Exchange differences on translation of the Company and its subsidiaries (unaudited) | - | - | - | - | (168,213) | - | - | (221) | - | (168,434) | - | (168,434) | |
| Total comprehensive income/(loss) for the period (unaudited) | - | - | - | - | (168,213) | - | 257 | (221) | (231,771) | (399,948) | 203 | (399,745) | |
| Share-based compensation expenses (unaudited) | - | - | - | - | - | 134,682 | - | - | - | 134,682 | - | 134,682 | |
| Share-based compensation consideration (unaudited) | - | - | - | - | - | 17,796 | - | - | - | 17,796 | - | 17,796 | |
| Repurchase of shares (unaudited) | - | 16,519 | (16,519) | - | - | - | - | - | - | - | - | - | |
| Vested awarded shares transferred to employees (unaudited) | - | 92,136 | 6,188 | - | - | (93,583) | - | 7,962 | - | 12,703 | - | 12,703 | |
| Exercise of share options (unaudited) | 14 | 16 | 9,418 | - | - | (3,234) | - | - | - | 6,200 | - | 6,200 | |
| Deemed interest in an interest-free loan to a non-wholly owned subsidiary (unaudited) | - | - | - | - | - | - | - | 631 | - | 631 | (631) | - | |
| Deregistration of a subsidiary (unaudited) | - | - | - | - | - | - | - | - | - | - | (4,790) | (4,790) | |
| Appropriation of statutory reserves (unaudited) | - | - | - | - | - | - | - | 1,890 | (1,890) | - | - | - | |
| Share of capital reserve of an associate (unaudited) | - | - | - | - | - | - | - | 18 | - | 18 | - | 18 | |
| At September 30, 2021 (unaudited) | 118,875 | 43,399,354 | (32,596) | (28,189,579) | (620,675) | 419,610 | 44,228 | 154,128 | (1,219,313) | 14,074,032 | (25,564) | 14,048,468 | |

^ These reserve accounts comprise the consolidated reserves of RMB14,836,721,000 (March 31, 2022: RMB14,002,833,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended September 30, 2022

| | Notes | 2022 (Unaudited) RMB'000 | 2021 (Unaudited) RMB'000 |
|---|-------|--------------------------------|--------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit/(loss) before tax | | 173,975 | (229,862) |
| Adjustments for: | | | |
| Finance costs | 7 | 3,362 | 737 |
| Share of profits of joint ventures | | (19,952) | (1,329) |
| Share of losses of associates | | 19,567 | 25,714 |
| Bank interest income | 5 | (145,827) | (85,029) |
| Other interest income | 5 | (676) | (1,429) |
| Gain on deemed partial disposal of associates | 5 | — | (23,702) |
| Loss/(gain) on disposal of items of property and equipment | 5, 8 | 80 | (21) |
| Gain on deregistration of subsidiaries | 5 | (1,021) | — |
| Dividend income from financial assets at fair value through profits or losses | 5 | — | (3,750) |
| Fair value loss/(gain) on financial assets at fair value through profit or loss | 5, 8 | 36,885 | (224,102) |
| Loss on revision of a lease term arising from a change in the non-cancellable period of a lease | 8 | 3,167 | — |
| Gain on recognition of net investment in a sublease | 5 | (2,649) | — |
| Fair value loss on contingent consideration included in other payables and accruals | 8 | 11,085 | — |
| Depreciation of property and equipment | 8 | 5,109 | 3,055 |
| Depreciation of right-of-use assets | 8 | 21,674 | 17,539 |
| Amortisation of intangible assets | 8 | 9,114 | 2,465 |
| Covid-19-related rent concessions from lessors | | (163) | (74) |
| Impairment of trade receivables | 8 | 391 | 842 |
| Impairment and write-off of inventories | 8 | 47,775 | 24,454 |
| Share-based compensation expenses | 8, 15 | 154,392 | 182,975 |
| | | 316,288 | (311,517) |
| Increase in trade and bills receivables | | (17,499) | (191,736) |
| Increase in prepayments, other receivables and other assets | | (127,531) | (364,701) |
| Increase in inventories | | (106,366) | (314,878) |
| Decrease/(increase) in restricted cash | | (40,995) | 7,476 |
| Increase in trade and bills payables | | 223,067 | 1,641,864 |
| Increase in other payables and accruals | | 71,791 | 85,629 |
| Increase in contract liabilities | | 54,993 | 24,244 |
| Effect of foreign exchange rate changes, net | | 15,519 | (34,349) |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended September 30, 2022

| | 2022 (Unaudited) RMB'000 | 2021 (Unaudited) RMB'000 |
|---|--------------------------------|--------------------------------|
| Cash generated from operations | 389,267 | 542,032 |
| Interest received | 136,651 | 97,108 |
| Interest paid | (3,362) | (737) |
| Mainland of the People's Republic of China ("Mainland China") taxes paid | (18,507) | (38,488) |
| Hong Kong taxes paid | — | (2,211) |
| Net cash flows generated from operating activities | <u>504,049</u> | <u>597,704</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of items of property and equipment | (4,753) | (6,778) |
| Purchase of items of other intangible assets | (24) | (56) |
| Proceeds from disposal of items of property and equipment | — | 622 |
| Purchase of financial assets at fair value through profit or loss | (142,420) | (72,000) |
| Proceeds from disposal of financial assets at fair value at profit or loss | — | 26,679 |
| Payment of consideration of acquisitions | (77,326) | (742,068) |
| Receipt of loan repayment from a third party company | — | 13,900 |
| Interest received | — | 1,379 |
| Dividend received from investment in an associate | 2,487 | 976 |
| Dividend received from financial assets at fair value through profit or loss | — | 3,750 |
| Investment in a joint venture | (39,800) | (59,701) |
| Decrease/(increase) of time deposits with original maturity of over three months | (474,715) | 2,174,376 |
| Net cash flows generated from/(used in) investing activities | <u>(736,551)</u> | <u>1,341,079</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from exercise of share options | 8,185 | 6,200 |
| Principal portion of lease payments | (24,195) | (22,226) |
| Investment returned to a non-controlling shareholder on the deregistration of a subsidiary | — | (4,790) |
| Net cash flows used in financing activities | <u>(16,010)</u> | <u>(20,816)</u> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended September 30, 2022

| | 2022 (Unaudited) RMB'000 | 2021 (Unaudited) RMB'000 |
|---|--------------------------------|--------------------------------|
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | (248,512) | 1,917,967 |
| Cash and cash equivalents at beginning of period | 9,341,427 | 7,252,275 |
| Effect of foreign exchange rate changes | 309,910 | (123,909) |
| CASH AND CASH EQUIVALENTS AT THE END OF PERIOD | <u>9,402,825</u> | <u>9,046,333</u> |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 9,402,825 | 9,046,333 |
| Non-pledged time deposits with original maturity over three months when acquired | <u>1,852,208</u> | <u>2,210,118</u> |
| 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 when acquired | <u>(1,852,208)</u> | <u>(2,210,118)</u> |
| CASH AND CASH EQUIVALENTS AS STATED IN THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS | <u>9,402,825</u> | <u>9,046,333</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended September 30, 2022

1. GENERAL INFORMATION

Alibaba Health Information Technology Limited (the “**Company**”) is incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The principal place of business of the Company is located at 60th Floor, CITIC Tower, Building 1, No. 10 Courtyard, Guanghai Road, Jianwai Subdistrict, Chaoyang District, Beijing, the People’s Republic of China (the “**PRC**”).

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are primarily engaged in pharmaceutical direct sales business, pharmaceutical e-commerce platform business, medical and healthcare services business and digital infrastructure business.

In the opinion of the directors of the Company (the “**Directors**”), the Company’s immediate holding company is Perfect Advance Holding Limited (“**Perfect Advance**”), which is incorporated in the British Virgin Islands, and the ultimate holding company of the Company is Alibaba Group Holding Limited (“**Alibaba Holding**”, together with its subsidiaries, “**Alibaba Group**”).

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 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)).

The Company has set up two trusts (the “**Trusts**”) for the purpose of purchasing, administering and holding the Company’s shares for the share award scheme adopted on November 24, 2014 (the “**Share Award Scheme**”, note 15). The Group has the power to govern the financial and operating policies of the Trusts and derive benefits from the services of the employees who have been awarded the awarded shares through their continued employment with the Group. The assets and liabilities of the Trusts are included in the interim condensed consolidated statement of financial position and the shares held by the Trusts are presented as a deduction in equity as treasury shares.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended September 30, 2022

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**2.1 Basis of preparation (continued)**

The Company does not have legal ownership in the equity of certain entities. However, under certain contractual agreements (including power of attorney agreement, loan agreement, equity option agreement, equity interest pledge agreement and exclusive technical consulting and services agreement) entered into with the registered owners of the entities, the Company through its indirectly wholly-owned subsidiaries controls the entities by way of controlling the voting rights, governing the financial and operating policies, appointing or removing the directors or executives, and casting the majority of votes at meetings of authorities. In addition, such contractual agreements also transfer the risks and rewards of the entities to the Company and/or its indirectly wholly-owned subsidiaries. As a result, the entities are treated as subsidiaries of the Company and their financial statements have been consolidated by the Company.

The Group's associates and joint ventures, except for Dongfang Customs Technology Company Limited (東方口岸科技有限公司) ("**Dongfang Customs**"), have a financial year ending December 31, and the financial statements of these associates and joint ventures may not be available in a timely manner for the Group to apply the equity method, therefore the Group elects to record its shares of the profits or losses of these associates and joint ventures on a quarter lag basis.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended September 30, 2022

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**2.2 Changes in accounting policies and disclosures (continued)**

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.
- (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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended September 30, 2022

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**2.2 Changes in accounting policies and disclosures (continued)**

(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 (Unaudited) RMB'000 | 2021 (Unaudited) RMB'000 |
| Mainland China | 11,333,309 | 8,980,689 |
| Hong Kong | 167,260 | 377,026 |
| | <u>11,500,569</u> | <u>9,357,715</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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended September 30, 2022

3. OPERATING SEGMENT INFORMATION (CONTINUED)**Geographical information (continued)****(b) Non-current assets**

| | September 30, 2022 (Unaudited) RMB'000 | March 31, 2022 (Audited) RMB'000 |
|----------------|---|---|
| Mainland China | 3,589,486 | 3,647,208 |
| Hong Kong | 157,088 | 156,440 |
| | <u>3,746,574</u> | <u>3,803,648</u> |

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended September 30, 2022

4. REVENUE (CONTINUED)

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

| | Six months ended September 30, | |
|--|---|--------------------------------|
| | 2022 (Unaudited) RMB'000 | 2021 (Unaudited) 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 traditional Chinese medicine 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 traditional Chinese medicine 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 (Unaudited) RMB'000 | 2021 (Unaudited) 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 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended September 30, 2022

5. OTHER INCOME AND GAINS

| | Six months ended September 30, | |
|---|--------------------------------|--------------------------------|
| | 2022 (Unaudited) RMB'000 | 2021 (Unaudited) 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 |
| | <u>259,377</u> | <u>138,539</u> |
| 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 |
| | <u>3,670</u> | <u>247,825</u> |
| Total | <u>263,047</u> | <u>386,364</u> |

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 (Unaudited) RMB'000 | 2021 (Unaudited) RMB'000 |
| Interest on lease liabilities | <u>3,362</u> | <u>737</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended September 30, 2022

8. PROFIT/(LOSS) BEFORE TAX

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

| | Notes | Six months ended September 30, | |
|---|-------|--------------------------------|--------------------------------|
| | | 2022 (Unaudited) RMB'000 | 2021 (Unaudited) 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 | 15 | 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended September 30, 2022

9. INCOME TAX EXPENSE

| | Six months ended September 30, | |
|---------------------------------|---|--------------------------------|
| | 2022 (Unaudited) RMB'000 | 2021 (Unaudited) 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended September 30, 2022

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

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.

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

| | Six months ended September 30, | |
|---|---|---------------------------------------|
| | 2022 (Unaudited) <i>RMB'000</i> | 2021 (Unaudited) <i>RMB'000</i> |
| Earnings/(loss) | | |
| Profit/(loss) attributable to ordinary equity holders of the parents used in the basic earnings/(loss) per share calculation | <u>160,661</u> | <u>(231,771)</u> |
| | Number of shares | Number of shares |
| | Six months ended September 30, | |
| | 2022 (Unaudited) | 2021 (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 | <u>11,746,373</u> | <u>—</u> |
| | <u>13,521,086,374</u> | <u>13,477,924,055</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended September 30, 2022

12. TRADE AND BILLS RECEIVABLES

| | September 30, 2022 (Unaudited) RMB'000 | March 31, 2022 (Audited) RMB'000 |
|-------------------|---|---|
| Trade receivables | 559,973 | 528,420 |
| Impairment | <u>(27,111)</u> | <u>(26,720)</u> |
| | 532,862 | 501,700 |
| Bills receivable | <u>232</u> | <u>14,285</u> |
| | <u>533,094</u> | <u>515,985</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, 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 | <u>—</u> | <u>1,975</u> |
| | <u>532,862</u> | <u>501,700</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended September 30, 2022

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 |
| | <u>3,750,396</u> | <u>3,528,597</u> |

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. SHARE CAPITAL**Shares**

| | September 30, 2022 (Unaudited) RMB'000 | March 31, 2022 (Audited) RMB'000 |
|---|---|---|
| Issued and fully paid 13,520,120,042 (March 31, 2022: 13,517,806,542) ordinary shares of HK\$0.01 each | <u>119,122</u> | <u>119,102</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended September 30, 2022

14. SHARE CAPITAL (CONTINUED)

Shares (continued)

| | Number of shares in issue (Unaudited) | Share capital (Unaudited) RMB'000 | Treasury shares (Unaudited) RMB'000 |
|--|---|---|---|
| At April 1, 2021 | 13,487,965,042 | 118,859 | (22,265) |
| Exercise of share options (note a) | 1,854,750 | 16 | — |
| Vested awarded shares transferred to employees (note b) | — | — | 6,188 |
| Repurchase of shares (note c) | — | — | (16,519) |
| At September 30, 2021 | <u>13,489,819,792</u> | <u>118,875</u> | <u>(32,596)</u> |
| At April 1, 2022 | 13,517,806,542 | 119,102 | (23,516) |
| Exercise of share options (note a) | 2,313,500 | 20 | — |
| Vested awarded shares transferred to employees (note b) | — | — | 11,967 |
| At September 30, 2022 | <u>13,520,120,042</u> | <u>119,122</u> | <u>(11,549)</u> |

Notes:

- (a) For the six months ended September 30, 2022, the subscription rights attaching to 2,313,500 share options were exercised at the subscription price of HK\$4.16 per share (note 15), resulting in the issue of 2,313,500 shares for a total cash consideration, before expenses, of RMB8,185,000. An amount of RMB4,258,000 was transferred from the share option reserve to share premium upon the exercise of the share options. For the six months ended September 30, 2021, the subscription rights attaching to 1,854,750 share options were exercised at the subscription price of HK\$4.02 per share (note 15), resulting in the issue of 1,854,750 shares for a total cash consideration, before expenses, of RMB6,200,000. An amount of RMB3,234,000 was transferred from the share option reserve to share premium upon the exercise of the share options.
- (b) Upon vesting of RSUs for the six months ended September 30, 2022, 14,511,601 issued shares were transferred to non-connected persons and 936,800 repurchased shares were transferred to connected persons, respectively. Upon vesting of RSUs for the six months ended September 30, 2021, 10,967,941 issued shares were transferred to non-connected persons and 481,400 repurchased shares were transferred to connected persons, respectively.
- (c) In July 2021, 1,300,000 shares of HK\$0.01 each were repurchased for RSUs to be vested for connected persons at a total cash consideration of RMB16,519,000.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended September 30, 2022

15. SHARE-BASED COMPENSATION COSTS**Share award scheme**

On November 24, 2014 (the “**Adoption Date**”), the Group adopted a share award scheme (the “**Share Award Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. An award (“**Award**”) granted under the Share Award Scheme may either take the form of a RSU, being a contingent right to receive shares of the Company which are awarded under the Share Award Scheme or an option (“**Option**”) to subscribe for or acquire shares of the Company which are granted under the Share Award Scheme.

The total number of shares in respect of which Awards may be granted under the Share Award Scheme and any other share award schemes of the Company shall not exceed 3% of the shares in issue as at the Adoption Date (the “**Scheme Mandate Limit**”), or 3% of the shares in issue as at the new approval date of the renewed Scheme Mandate Limit.

The Awards do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

Any grant of RSUs to any connected person of the Company and the issue and allotment of shares upon vesting of such RSUs will constitute a connected transaction (as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) of the Company and shall therefore be subject to compliance with Chapter 14A of the Listing Rules (unless an exemption applies).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended September 30, 2022

15. SHARE-BASED COMPENSATION COSTS (CONTINUED)

Share award scheme (continued)

Movements in the number of units of Awards granted under the Share Award Scheme during the period and their related weighted average fair values are as follows:

| | Weighted average exercise price of options (Unaudited) <i>HK\$ per share</i> | Number of options (Unaudited) <i>'000</i> | Number of RSUs (Unaudited) <i>'000</i> |
|--|---|--|---|
| Outstanding at April 1, 2021 | 10.14 | 17,280 | 62,040 |
| Granted during the period | 18.21 | 1,704 | 29,415 |
| Forfeited during the period | 19.94 | (1,596) | (6,076) |
| Exercised or transferred during the period | 4.02 | (1,855) | (11,449) |
| Outstanding at September 30, 2021 | <u>10.75</u> | <u>15,533</u> | <u>73,930</u> |
| Outstanding at April 1, 2022 | 10.69 | 15,178 | 61,367 |
| Granted during the period | 4.92 | 7,344 | 74,083 |
| Forfeited during the period | 5.72 | (313) | (10,526) |
| Exercised or transferred during the period | 4.16 | (2,314) | (15,448) |
| Outstanding at September 30, 2022 | <u>7.64</u> | <u>19,895</u> | <u>109,476</u> |

The weighted average share price at the date of exercise for share options exercised during the six months ended September 30, 2022 was HK\$4.62 per share (for the six months ended September 30, 2021: HK\$13.78 per share).

The exercise price of RSUs is nil. For options outstanding at the end of the Reporting Period, the exercise prices range from HK\$3.626 to HK\$19.940 (March 31, 2022: HK\$3.626 to HK\$19.940). The exercise period of the options is from the vesting date to 10 years from the grant date. 19,895,000 (March 31, 2022: 15,178,000) share options of the Group were outstanding as at September 30, 2022 with the weighted average remaining contractual life of 7.60 years (March 31, 2022: 6.72 years).

As at September 30, 2022, the remaining vesting periods for the options and RSUs granted range from 3 months to 69 months (March 31, 2022: from 3 months to 48 months).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended September 30, 2022

15. SHARE-BASED COMPENSATION COSTS (CONTINUED)**Share award scheme (continued)**

The fair value of options granted during the six months ended September 30, 2022 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

| | Six months ended September 30, 2022 (Unaudited) |
|---|---|
| Fair value of the Company's options at the grant date | HK\$2.12~HK\$2.57 |
| Expected volatility (%) | 60 |
| Expected dividend (%) | — |
| Exercise multiple | 1.3~2.3 |
| Exercise price | HK\$4.92 |
| Risk-free interest rate (%) | 3.38 |
| Forfeiture rate (%) | 23~24 |

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The fair values of the RSUs granted during the six months ended September 30, 2022 and September 30, 2021 were determined based on the market value of the Company's shares at the respective grant dates.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended September 30, 2022

15. SHARE-BASED COMPENSATION COSTS (CONTINUED)**Share award scheme (continued)**

Total share-based compensation expenses recorded by the Group under the Share Award Scheme are as follows:

| | Six months ended September 30, | |
|------------------------------|---|--------------------------------|
| | 2022 (Unaudited) RMB'000 | 2021 (Unaudited) RMB'000 |
| Cost of sales | 7,980 | 9,919 |
| Fulfilment | 19,367 | 11,181 |
| Sales and marketing expenses | 40,174 | 58,448 |
| Administrative expenses | 35,884 | 42,616 |
| Product development expenses | 50,987 | 60,811 |
| | <u>154,392</u> | <u>182,975</u> |

At the end of the Reporting Period, the Company had approximately 19,895,000 share options and 109,476,000 RSUs outstanding under the Share Award Scheme, which represented approximately 0.96% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options and RSUs, under the present capital structure of the Company, would result in the issue of approximately 123,360,000 additional ordinary shares of the Company and additional share capital of HK\$1,233,600 (equivalent to approximately RMB1,057,000) (before issue expenses), the purchase of 3,953,000 existing shares from the market and the release of 2,058,000 shares from treasury shares.

16. COMMITMENTS

The Group had the following capital commitments at the end of the Reporting Period.

| | September 30, 2022 (Unaudited) RMB'000 | March 31, 2022 (Audited) RMB'000 |
|-----------------------------------|---|---|
| Contracted, but not provided for: | | |
| Capital injection of investments | <u>—</u> | <u>39,800</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended September 30, 2022

17. RELATED PARTY TRANSACTIONS

(I) Transactions with related parties

In addition to the transactions detailed elsewhere in this financial information, the Group had the following material transactions:

| | Notes | Six months ended September 30, | |
|--|-------|--------------------------------|--------------------------------|
| | | 2022 (Unaudited) RMB'000 | 2021 (Unaudited) RMB'000 |
| Ultimate holding company: | | | |
| Share-based compensation expenses attributable to connected persons | (i) | (9,918) | (9,143) |
| Marketing services received from Alibaba Group | (ii) | (511,846) | (367,814) |
| Shared services received from Alibaba Group | (ii) | (134,044) | (79,960) |
| Internet information and other related services received from Alibaba Group | (ii) | (110,259) | (128,687) |
| Fellow subsidiaries: | | | |
| Cloud computing services received from Alibaba Cloud Computing Ltd. | (ii) | (51,929) | (70,995) |
| Logistics and warehouse services received from Hangzhou Cainiao Supply Chain Management Co., Ltd. | (ii) | (123,684) | (138,861) |
| Payment services received from Alipay.com Co., Ltd. | (ii) | (33,955) | (32,512) |
| Technical services received from Tmall Entities® regarding Blue Cap Health Food# | (ii) | (33,109) | (36,195) |
| Technical services received from Tmall Entities regarding medical devices, healthcare products, adult products, and medical and healthcare services | (ii) | (361,649) | (405,610) |
| Technical services received from Taobao Holding Limited (“Taobao Holding”) regarding Tmall Products and Services and Tmall Global Products and Services* | (ii) | (139,582) | (127,470) |
| Outsourced and value-added services provided to Taobao Holding | (ii) | 47,908 | 51,005 |
| Tracking related services provided to Taobao Holding | (ii) | 387 | 548 |
| Sales of products to Taobao Holding | (ii) | 16,845 | — |
| Software services provided to Taobao Holding | (ii) | 47,769 | 23,110 |
| Business sourcing and promotion services provided to Koubei (Shanghai) Information Technology Co., Ltd. | (ii) | 11 | 206 |
| Joint ventures: | | | |
| Management fee | (ii) | 4,852 | 4,533 |
| Associates: | | | |
| Sales of products | | — | 674 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended September 30, 2022

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

- @ Tmall Entities refers to Zhejiang Tmall Network Co., Ltd.^ (浙江天貓網絡有限公司) and Zhejiang Tmall Technology Co., Ltd.^ (浙江天貓技術有限公司)
- # Blue Cap Health Food refers to a kind of health food approved by the State Administration for Market Regulation of China.
- * Tmall Products and Services are comprised of pharmaceutical products, medical purpose food products, medical devices, adult products, healthcare products, medical and healthcare services and the target Blue Cap Health Food sold through Tmall Supermarket only.
- Tmall Global Products and Services are comprised of pharmaceutical products, medical devices, healthcare products, medical purpose food products, medical and healthcare services.
- ^ For identification purpose only

Notes:

- (i) On June 15, 2021, the Company granted 421,250 options and 168,500 RSUs to Mr. ZHU Shunyan, an executive Director, the current chairman of the Board and chief executive officer of the Company, and hence a connected person of the Company under the Share Award Scheme. On the same day, the Company granted 67,250 options and 26,900 RSUs to Mr. TU Yanwu, an executive Director and the chief financial officer of the Company, and hence a connected person of the Company under the Share Award Scheme. The Company granted a total of 481,000 options and 192,400 RSUs to two directors of the subsidiaries of the Company, and hence connected persons of the Company under the Share Award Scheme.
- On June 15, 2022, a total of 3,776,625 Options are granted to five connected grantees, of which 1,290,125 Options are granted to Mr. Zhu Shunyan, 1,062,750 Options are granted to Mr. Shen Difan, an executive Director and the chief operating officer of the Company, 283,250 Options are granted to Mr. Tu Yanwu, and the remaining Options are granted to three directors of subsidiaries of the Company.
- On June 15, 2022, a total of 1,992,550 RSUs are granted to six connected grantees, of which 516,050 RSUs are granted to Mr. Zhu Shunyan, 425,100 RSUs are granted to Mr. Shen Difan, an executive Director and the chief operating officer of the Company, 113,300 RSUs are granted to Mr. Tu Yanwu, and the remaining RSUs are granted to three directors of subsidiaries of the Company.
- (ii) These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended September 30, 2022

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Outstanding balances with related parties:

In addition to the outstanding balances detailed elsewhere in this financial information, the balances with related parties as at the end of the Reporting Period are listed below:

| | September 30, 2022 (Unaudited) RMB'000 | March 31, 2022 (Audited) RMB'000 |
|--------------------------|---|---|
| Fellow subsidiaries: | | |
| Other receivables | 17,949 | 678 |
| Prepayments and deposits | 64,358 | 56,014 |
| Other payables | 219,878 | 163,077 |
| Accruals | 5,773 | 2,219 |
| | <u> </u> | <u> </u> |

The balances with fellow subsidiaries are unsecured, interest-free, and have no fixed terms of repayment.

(III) Compensation of key management personnel of the Group:

| | Six months ended September 30, 2022 (Unaudited) RMB'000 | 2021 (Unaudited) RMB'000 |
|---|--|--------------------------------|
| Short-term employee benefits | 1,062 | 4,917 |
| Performance related bonuses | 3,916 | 3,650 |
| Share-based compensation expenses | 19,243 | 18,205 |
| Pension scheme contributions | 446 | 176 |
| | <u> </u> | <u> </u> |
| Total compensation paid to key management personnel | <u>24,667</u> | <u>26,948</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended September 30, 2022

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair value, are as follows:

| | Carrying amounts | | Fair values | |
|---|--|--|--|--|
| | As at September 30, 2022 (Unaudited) RMB'000 | As at March 31, 2022 (Audited) RMB'000 | As at September 30, 2022 (Unaudited) RMB'000 | As at March 31, 2022 (Audited) RMB'000 |
| Financial assets | | | | |
| Financial assets at fair value through profit or loss | 1,824,076 | 1,661,490 | 1,824,076 | 1,661,490 |
| Equity investment designated at fair value through other comprehensive income | 135,913 | 140,900 | 135,913 | 140,900 |
| Long-term receivables | 24,215 | 13,030 | 23,594 | 11,213 |
| Bills receivable | 232 | 14,285 | 232 | 14,285 |
| | <u>1,984,436</u> | <u>1,829,705</u> | <u>1,983,815</u> | <u>1,827,888</u> |
| Financial liabilities | | | | |
| Contingent consideration included in other payables and accruals | 58,951 | 106,431 | 58,951 | 106,431 |
| Long-term payables | 6,424 | 55,185 | 6,424 | 52,481 |
| | <u>65,375</u> | <u>161,616</u> | <u>65,375</u> | <u>158,912</u> |

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables and financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

*For the six months ended September 30, 2022***18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)**

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of long-term receivables and bills receivable have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of unlisted equity investments designated at fair value through other comprehensive income or fair values of unlisted equity investments designated at fair value through profit or loss have been estimated using a market-based valuation technique and the key assumptions applied in the calculation are the comparable companies, relevant multiples and discount for lack of marketability (“DLOM”). Comparable companies are actively traded in stock market and the multiples are publicly available. Also, to adjust the fair value difference between a publicly traded company and a private company, an independent valuer has applied the option price model to estimate the DLOM. The Directors believe that the estimated fair values resulting from the valuation techniques, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income or profit or loss, are reasonable.

The fair values of the contingent consideration included in other payables and accruals are determined using the Monte Carlo simulation model under the income approach.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended September 30, 2022

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of the Reporting Period:

| | Valuation technique | Significant unobservable input | Range | Sensitivity of fair value to the input |
|--|------------------------------|--------------------------------------|--|--|
| Unlisted equity investments | Valuation multiples | Average P/S multiple of peers | 1.27 to 8.52 (March 31, 2022: 1.32 to 14.13) | 1% (March 31, 2022: 1%) increase/decrease in multiple would result in increase/decrease in fair value by RMB1,778,000 to RMB7,754,000 (March 31, 2022: RMB703,000 to RMB7,913,000) |
| | | Discount for lack of marketability | 11.0% to 23.0% (March 31, 2022: 11.0% to 30.0%) | 1% (March 31, 2022: 1%) increase/decrease in discount would result in decrease/increase in fair value by RMB518,000 to RMB1,938,000 (March 31, 2022: RMB301,000 to RMB1,978,000) |
| Unlisted equity investments | Valuation multiples | Upper quartile P/S multiple of peers | 1.94 to 14.40 (March 31, 2022: 1.70) | 1% (March 31, 2022: 1%) increase/decrease in multiple would result in increase in fair value by RMB497,000 to RMB626,000/ decrease in fair value by RMB497,000 to RMB716,000 (March 31, 2022: RMB556,000/RMB240,000) |
| | | Upper quartile P/B multiple of peers | 2.67 (March 31, 2022: 2.98) | 1% (March 31, 2022: 1%) increase/decrease in multiple would result in increase/decrease in fair value by RMB859,000 (March 31, 2022: RMB1,170,000/RMB854,000) |
| | | Discount for lack of marketability | 20.0% to 30.0% (March 31, 2022: 20.0%) | 1% (March 31, 2022: 1%) increase/decrease in discount would result in decrease in fair value by RMB339,000 to RMB358,000/ increase in fair value by RMB268,000 to RMB339,000 (March 31, 2022: RMB195,000/RMB511,000) |
| Contingent consideration included in other payables and accruals | Monte Carlo simulation model | Volatility | 20.0% (March 31, 2022: 20.0%) | 5% (March 31, 2022: 5%) increase/decrease in volatility would result in decrease/increase in fair value by RMB66,000/RMB44,000 (March 31, 2022: RMB50,000/RMB51,000) |
| | | Discount rate | 15.0% (March 31, 2022: 15.0%) | 1% (March 31, 2022: 1%) increase/decrease in discount would result in decrease/increase in fair value by RMB114,000/RMB24,000 (March 31, 2022: RMB21,000/RMB24,000) |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended September 30, 2022

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at September 30, 2022

| | Fair value measurement using | | | Total (Unaudited) RMB'000 |
|---|--|--|--|---------------------------------|
| | Quoted prices in active markets (Level 1) (Unaudited) RMB'000 | Significant observable inputs (Level 2) (Unaudited) RMB'000 | Significant unobservable inputs (Level 3) (Unaudited) RMB'000 | |
| Financial assets at fair value through profit or loss | — | — | 1,824,076 | 1,824,076 |
| Equity investment designated at fair value through other comprehensive income | — | — | 135,913 | 135,913 |
| Bills receivable | — | 232 | — | 232 |
| | <u>—</u> | <u>232</u> | <u>1,959,989</u> | <u>1,960,221</u> |

As at March 31, 2022

| | Fair value measurement using | | | Total (Audited) RMB'000 |
|---|--|--|--|-------------------------------|
| | Quoted prices in active markets (Level 1) (Audited) RMB'000 | Significant observable inputs (Level 2) (Audited) RMB'000 | Significant unobservable inputs (Level 3) (Audited) RMB'000 | |
| Financial assets at fair value through profit or loss | — | — | 1,661,490 | 1,661,490 |
| Equity investment designated at fair value through other comprehensive income | — | — | 140,900 | 140,900 |
| Bills receivable | — | 14,285 | — | 14,285 |
| | <u>—</u> | <u>14,285</u> | <u>1,802,390</u> | <u>1,816,675</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended September 30, 2022

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

The movements in fair value measurements within Level 3 during the period are as follows:

| | September 30, 2022 (Unaudited) RMB'000 | March 31, 2022 (Audited) RMB'000 |
|--|---|---|
| Financial assets at fair value through profit or loss | | |
| At 1 April | 1,661,490 | 984,456 |
| Total gains/(losses) recognised in profit or loss | (36,885) | 162,062 |
| Purchases | 142,420 | 355,000 |
| Reclassified from investments in associates to financial assets at fair value through profit or loss | — | 1,050,168 |
| Reclassified from financial assets at fair value through profit or loss to investments in associates | — | (871,003) |
| Exchange realignment | 57,051 | (19,193) |
| At the end of the period | <u>1,824,076</u> | <u>1,661,490</u> |
| | | |
| | September 30, 2022 (Unaudited) RMB'000 | March 31, 2022 (Audited) RMB'000 |
| Equity investment at fair value through other comprehensive income | | |
| At 1 April | 140,900 | 163,212 |
| Total losses recognised in other comprehensive income | (20,935) | (17,177) |
| Exchange realignment | 15,948 | (5,135) |
| At the end of the period | <u>135,913</u> | <u>140,900</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended September 30, 2022

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at September 30, 2022

| | Fair value measurement using | | | Total (Unaudited) RMB'000 |
|---|--|--|--|---------------------------------|
| | Quoted prices in active markets (Level 1) (Unaudited) RMB'000 | Significant observable inputs (Level 2) (Unaudited) RMB'000 | Significant unobservable inputs (Level 3) (Unaudited) RMB'000 | |
| Contingent consideration included in other payables and accruals | — | — | 58,951 | 58,951 |

As at March 31, 2022

| | Fair value measurement using | | | Total (Audited) RMB'000 |
|---|---|--|--|-------------------------------|
| | Quoted prices in active markets (Level 1) (Audited) RMB'000 | Significant observable inputs (Level 2) (Audited) RMB'000 | Significant unobservable inputs (Level 3) (Audited) RMB'000 | |
| Contingent consideration included in other payables and accruals | — | — | 106,431 | 106,431 |

During the six months ended September 30, 2022, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (for the six months ended September 30, 2021: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended September 30, 2022

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)**Fair value hierarchy (continued)****Assets for which fair values are disclosed:**

As at September 30, 2022

| | Fair value measurement using | | | Total (Unaudited) RMB'000 |
|-----------------------|--|--|--|---------------------------------|
| | Quoted prices in active markets (Level 1) (Unaudited) RMB'000 | Significant observable inputs (Level 2) (Unaudited) RMB'000 | Significant unobservable inputs (Level 3) (Unaudited) RMB'000 | |
| Long-term receivables | — | 23,594 | — | 23,594 |

As at March 31, 2022

| | Fair value measurement using | | | Total (Audited) RMB'000 |
|-----------------------|---|--|--|-------------------------------|
| | Quoted prices in active markets (Level 1) (Audited) RMB'000 | Significant observable inputs (Level 2) (Audited) RMB'000 | Significant unobservable inputs (Level 3) (Audited) RMB'000 | |
| Long-term receivables | — | 11,213 | — | 11,213 |

19. 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.

20. 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.