Alibaba Health

ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED

阿里健康信息技術有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00241)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2023

The board (the "**Board**") of directors (the "**Directors**") of Alibaba Health Information Technology Limited (the "**Company**" or "**Alibaba Health**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended September 30, 2023 (the "**Reporting Period**") together with the unaudited comparative figures for the corresponding period of the preceding year (the "**Corresponding Period**"). The interim condensed consolidated financial statements have been reviewed by the audit committee of the Company.

HIGHLIGHTS

During the Reporting Period, the Group maintained a steady growth in revenue, with its total revenue reached approximately RMB12,956.0 million, representing an increase of 12.7% as compared to the Corresponding Period. The Group recorded gross profit of approximately RMB2,868.7 million and gross profit margin of 22.1%. The Group managed to achieve significant enhancement in profitability in the Reporting Period by leveraging on its improved pricing capabilities and enhanced operational efficiency driven by operation refinement and digitalization upgrades, as well as the continuous improvement in its delivery of medical and health services and product experience to users, which enhanced the confidence of users in purchasing pharmaceutical products on online platforms. During the Reporting Period, the Group recorded profit of approximately RMB445.1 million, representing an increase of 172.2% as compared to profit of approximately RMB163.5 million for the Corresponding Period.

As a leading healthcare consumption portal in China, the Group's Tmall Healthcare Platform served over 32,000 merchants as at September 30, 2023, representing an increase of over 4,000 merchants as compared to the number of merchants served as at September 30, 2022. The number of stock keeping units ("**SKUs**") of its service offerings reached over 64.0 million, representing a rapid growth of over 16.0 million SKUs as compared to the Corresponding Period, along with a continuous uptake in yearly purchase frequency and spending on healthcare products per capita. During the Reporting Period, leveraging on the Group's brand advantage and the extensive operational experience of its teams, the number of members of direct online stores increased by 21.0% year-on-year to 77.0 million as at September 30, 2023. In terms of the pharmaceutical direct sales business, the Group continued to deepen its strategic cooperation with global pharmaceutical companies, such as AstraZeneca and Daiichi Sankyo, in exploring the long-term value of digital health. In terms of warehousing and logistics, the Group continued to enhance its service fulfilment capabilities. As at the end of the Reporting Period, Alibaba Health implemented a value-added service of home delivery with environmentally-friendly boxes in five cities, namely Hangzhou, Shanghai, Suzhou, Wuxi and Changzhou.

In terms of healthcare and digital services, the Group continued to enhance user experience of its healthcare services during the Reporting Period, providing seamless online-to-offline healthcare services (including, among others, traditional Chinese medicine ("**TCM**"), medical checkups, testing, medical consultation, appointment-making, vaccination, dental care, mental care, optometry and nursing) to end users from various channels, such as Tmall, Taobao, Alipay, "Dr. Deer" APP, AMap, DingTalk and Quark. As at September 30, 2023, more than 210,000 licensed physicians, pharmacists and nutritionists contracted with the Group to provide online health consultation, which represented an increase of over 30,000 professionals (including those from Xiaolu TCM) compared with the figure as at the end of the Corresponding Period. During the Reporting Period, the Internet hospitals within the Group's network continued to pave the way for a new service portal for chronic disease patients, physicians and pharmaceutical companies, and have extended their competencies in digital patient management to cover 20 core disease areas, including hepatitis B, respiratory system, men's health and chronic gastritis. In addition, the service scenarios of Xiaolu TCM have gradually progressed from online consultation to "online + offline" integration. Over 500 clinics across China have been contracted by the "Xiaolu Doctor Workshops"^ (小鹿醫生工作室) and the drug service network of Xiaolu TCM has been further improved, with 100 dispensing centers covering 26 regions across different provinces and direct-administered municipalities.

KEY FINANCIAL FIGURES

	Six months ended September 30,		
	2023	2022	Change
	RMB'000	*RMB'000*	*%*
		(Restated)[1]	
Revenue	**12,956,000**	11,500,569	12.7
Gross profit	**2,868,668**	2,300,656	24.7
Profit for the period	**445,143**	163,509	172.2
Adjusted net profit[2]	**642,473**	351,587	82.7

Notes:

1 The Group has applied the amendments on temporary differences related to leases as at April 1, 2022, with any cumulative effect recognized as an adjustment to the balance of accumulated losses or other component of equity as appropriate at that date.

2 The adjusted net profit is based on the profit for the respective period after excluding non-operating profit or loss items such as share-based compensation, change in fair value of financial assets at fair value through profit or loss ("FVPL") (net of tax), gain on deemed disposal of associates (net of tax), and gain on partial disposal of an associate (net of tax). With the exclusion of the impact of such items, which are not indicative of our key operational performance, investors can better compare our operational performance across various periods.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the Chinese government rolled out a series of supporting policies and further clarified and standardized its regulations and rules for the Internet healthcare industry. In June 2023, the National Medical Products Administration (國家藥品監督管理局) ("**NMPA**") issued the "Notice on Regulating the Display of Online Sale Information of Prescription Drugs"^ (關於規範處方藥網絡銷售信息展示的通知), which sets out detailed requirements for displaying information about prescription drugs on online drugs sale platforms/websites (including apps). In this regard, Alibaba Health has been proactively pursuing regulatory compliance and stringently performing its main responsibilities. In July 2023, the General Office of the State Council pushed forward with the "Measures for Restoring and Expanding Consumption"^ (關於恢復和擴大消費的措施) recommended by the National Development and Reform Commission, which clearly indicated the need to boost consumption on healthcare services and development of "Internet + Healthcare". By incorporating eligible "Internet +" healthcare services into the coverage of medical insurance, this initiative will further improve the fee-charging policy of medical diagnosis and treatment. In August 2023, the Public Security Department of Zhejiang Province issued the "Management Measures for Authorised Operation of Public Data of Zhejiang Province (Trial)"^ (浙江省公共數據授權運營管理辦法(試行)), which proposes measures to support the development and application of key livelihood areas such as medical and healthcare, thus providing favourable policy support for the innovation and development of the Group's healthcare large language model business. In October 2023, the NMPA organised and formulated the "Guidelines for On-site Inspection of Commissioned Production of Marketing Authorisation Holders"^ (藥品上市許可持有人委託生產現場檢查指南), which aims to strengthen the supervision and inspection of the quality management across the entire production process and life cycle of the pharmaceutical products of marketing authorisation holders. In the wake of on-going optimization of policy regimes, Alibaba Health's responsibility as the leading player has become clearer. Alibaba Health will strive to align itself with national policies and fulfill its responsibilities, with the commitment to create long-term values for its customers. For the six months ended September 30, 2023, steady growth was maintained across all business segments.

During the Reporting Period, the total revenue of the Group stood at RMB12,956.0 million, representing a growth of 12.7% over the Corresponding Period. As at September 30, 2023, Tmall Healthcare Platform boasted its service offerings of over 64.0 million stock keeping units ("**SKUs**"), serving more than 32,000 merchants and recording a continuous uptake in yearly purchase frequency and spending on healthcare products per capita. Registering a revenue of RMB11,446.7 million, the pharmaceutical direct sales business of Alibaba Health observed a year-on-year growth of 13.5%. As of September 30, 2023, the number of members of the Group's direct online stores increased by 21.0% year-on-year to 77.0 million. In connection with healthcare services, over 210,000 licensed physicians, pharmacists and nutritionists contracted with the Group as at the end of the Reporting Period to provide online health consultation services, which represented an increase of nearly 30,000 professionals (including those from Xiaolu TCM) compared with the figure as at the end of the Corresponding Period.

As the flagship healthcare platform of Alibaba Group Holding Limited ("**Alibaba Holding**", together with its subsidiaries, "**Alibaba Group**"), the Group stays true to its aspiration in making healthcare services accessible and affordable while adhering to the industry's high standards of compliance and quality control. With this in mind, the Group will continue to consolidate and strengthen its existing competitive strengths and business foundations in healthcare, while at the same time preparing for the future by exploring innovative business models and fostering the development of its business segments to align with the evolving needs of its customers. Capitalizing on its leading digital technology and digital operation capabilities that are built on "cloud-based infrastructure", centered around "cloud-based pharmacy" and driven by "cloud-based hospital", the Group seeks 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 strong brand and resources accumulated over the years. Building on its strengths in e-commerce, big data and cloud computing, Alibaba Health actively expands its partnerships with global pharmaceutical companies, nutritional and healthcare product manufacturers and distributors through a synergistic operation model that integrates its pharmaceutical direct sales business, the Tmall Healthcare Platform and its new retail business. The Group is committed to providing quality and affordable healthcare solutions to users in needs.

- ***Pharmaceutical E-Commerce Platform Business — Tmall Healthcare Platform***

  In light of mounting consumer demand for self-health management in the post-pandemic era, there has been a progressive paradigm shift from "passive treatment" to "proactive health management", and shaping a health management concept that combines a prevention-oriented approach with treatment. As the leading healthcare consumption portal in China, Tmall Healthcare Platform maintains close ties with industry partners and grows together with merchants in response to consumer demands. During the Reporting Period, the platform further diversified its supply of non-pharmaceutical categories and observed an ongoing proliferation of merchants and SKUs. As at the end of the Reporting Period, the number of merchants served by the Group's Tmall Healthcare Platform increased by more than 4,000 to over 32,000 when compared with the figure as at September 30, 2022. The number of SKUs of its service offerings reached over 64.0 million, representing a rapid growth of over 16.0 million SKUs as compared to the Corresponding Period. Regarding the home devices categories, Tmall Healthcare Platform joined hands with the China Primary Health Care Foundation, Sinocare and Alibaba Health Philanthropy to launch the "Finger-Prick-Free Campaign"^ (不扎手指行動), which aimed to raise public awareness on the blood glucose level of diabetic patients at work through three initiatives: a 150-day blood glucose monitoring campaign; free trials of continuous glucose monitors; and specialist consultations on the blood glucose level. As for healthcare products, Tmall Healthcare Platform jointly launched the "Secure and Reliable Selection on Tmall Platform"^ (天貓安心甄選放心平台) with the Zhejiang Academy of Science & Technology for Inspection and Quarantine and the Healthy China Promotion Committee of the China Federation of Radio and Television Associations to recommend healthcare supplements that are approved by authoritative central laboratories, better suit the body features of Chinese and help consumers improve their health. In respect of nutritional categories, Tmall Healthcare Platform, together with long-established brands such as Dong-E-E-Jiao, kicked off a rebranding project to revamp the supply side and drive enhancements in consumption trends. The platform also actively facilitated the further upgrade of the business model of traditional Chinese medicine ("**TCM**"), including the establishment of the first online traditional Tibetan medicine clinic, which marked a key step forward in the development of online ethnomedicine.

- ***Pharmaceutical Direct Sales Business***

Adhering to its operation motto that highlights "authenticity, affordability, 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 and affordable healthcare services, including prescription drugs, over-the-counter drugs, nutritional supplements, medical devices and contact lenses. Leveraging the Group's competitive edge in operation and brand recognition, as well as the high execution efficiency of its workforce, revenue of the pharmaceutical direct sales business increased by 13.5% year-on-year to RMB11,446.7 million during the Reporting Period. As at September 30, 2023, the number of members in the Group's direct online stores reached 77.0 million, representing a year-on-year growth of 21.0%.

During the Reporting Period, we continued to deepen strategic cooperation with global pharmaceutical companies in exploring the long-term value of digital health. Partnering with AstraZeneca to initiate an education and rehabilitation platform for cardiovascular diseases, we provided tailor-made and innovative digital health management services for patients and thereby improving their medication adherence. Through a comprehensive strategic collaboration with Daiichi Sankyo in fields such as rheumatology and orthopedic surgery, we studied the scientific management of patients' post-treatment home-based scenario with the use of Alibaba Health's digital technology and digital operation capabilities, in a bid to improve the quality of life and health of Chinese patients. During the Reporting Period, "Health Care Centres"^ (健康關愛中心), which took care of 20 major diseases such as tumors, liver diseases and gout, continued to provide patients with one-stop services ranging from digitalized healthcare education, prevention and consultation to drug purchase and health management. In terms of warehousing and logistics, the Group further enhanced its service fulfilment capabilities. As at the end of the Reporting Period, Alibaba Health implemented a value-added service of home delivery with environmentally-friendly boxes in five cities, namely Hangzhou, Shanghai, Suzhou, Wuxi and Changzhou.

Healthcare and Digital Services Business

The Group continued to enhance user experience of its healthcare services during the Reporting Period, providing seamless online-to-offline healthcare services (including, among others, TCM, medical checkups, testing, medical consultation, appointment-making, vaccination, dental care, mental care, optometry and nursing) to end users from various channels, such as Tmall, Taobao, Alipay, "Dr. Deer" APP, AMap, DingTalk and Quark. As at September 30, 2023, more than 210,000 licensed physicians, pharmacists and nutritionists contracted with the Group to provide online health consultation, which represented an increase of over 30,000 professionals (including those from Xiaolu TCM) compared with the figure as at the end of the Corresponding Period. During the Reporting Period, revenue generated from the healthcare and digital services business amounted to RMB488.1 million, representing an increase of 16.4% as compared to the Corresponding Period.

- ***Healthcare Services***

  Alibaba Health has established a network of Internet hospitals. Through 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, for chronic disease patients. In order to pave the way for a new service portal for chronic disease patients, physicians and pharmaceutical companies, the Internet hospitals within the Group's network have extended their competencies in digital patient management to cover 20 core disease areas including hepatitis B, respiratory system, men's health and chronic gastritis as at the end of the Reporting Period. Additionally, they have also formed cooperations with 40 well-known domestic and foreign pharmaceutical companies, such as Chugai Pharma China Co., Ltd (日健中外製藥有限公司).

In terms of the TCM services, Xiaolu TCM continues to adhere to the concept of "Providing Better TCM Services for Healthier Life" and devotes itself to developing a comprehensive TCM service platform featuring "Smart triage, online consultation and offline diagnosis". Through digitalization, it continues to lead and promote innovation and development in the TCM industry. During the Reporting Period, the service scenarios of Xiaolu TCM gradually progressed from online consultation to "online + offline" integration. In order to meet the demand for face-to-face diagnosis between doctors and patients, over 500 clinics across China have been contracted by the "Xiaolu Doctor Workshops"^ (小鹿醫生工作室). As at the end of the Reporting Period, Xiaolu TCM had over 110,000 registered TCM practitioners and achieved further improvement in its drug service network, with 100 dispensing centers covering 26 regions across different provinces and direct-administered municipalities.

- ***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-end pharmacies and healthcare institutions as China deepens the implementation of its drug tracking policy for key drug varieties across the entire chain, including Botox. In addition to fundamental tracking service, as at September 30, 2023, the "Ma Shang Fang Xin" platform has formed cooperations with more than 400 top pharmaceutical companies to provide them with services such as education on doctor-patient relationship and digital marketing. Moreover, more than 100 leading pharmaceutical companies partnered with the platform on the theme of tracking codes to explore in-depth advancement in various areas, including digitalized supply chain and smart distribution channel management. While maintaining the focus on pharmaceuticals, the "Ma Shang Fang Xin" platform continued to expand its presence in the fields of various healthcare goods such as medical devices, TCM supplements, agricultural products and imported goods.

Public Service

In order to fully implement the "Action Plan to Accelerate the Elimination of Cervical Cancer (2022–2030)"^ (加速消除宮頸癌行動計劃(2022–2030年)) and promote corresponding preventive measures, Alibaba Health joined hands with different organizations and units ranging from Alibaba Foundation and the China Women's Development Foundation to the Women's Federation, Education Bureau and Health Bureau of Leishan County to launch the "Public Services for Early Protection against Cervical Cancer"^ (保護宮頸贏在第一時公益行動), which subsidized vaccination as an early protection for girls of suitable ages from underprivileged families. Additionally, the "Xiao Lu Lantern"^ (小鹿燈) Children's Serious Disease Relief Platform has also made rapid progress, where it held 70 free medical consultation sessions covering over 870 towns in 57 counties across 16 provinces as at September 30, 2023, involving over 390 doctors and project personnel from 113 medical institutions. A total of more than 22,400 children received the screening services.

In collaboration with Ling Feng Foundation and China Association of Rehabilitation of Disabled Persons, Alibaba Health and Alibaba Foundation built 20 "Aidou Rehabilitation Homes"^ (愛豆康復健康小屋) in Hebei Province during the Reporting Period, providing senior guardians of the villages who suffered from chronic diseases with health management and rehabilitation services under the "Four Ones"^ (四個一) system. Moreover, in view of the prevalence of cardiovascular diseases among the elderly, Alibaba Health worked with Alibaba Foundation to construct a regional "Cardiac Network"^ (心電一張網) based on county-level hospitals. Equipped with smart hardware, cloud-based platform and artificial intelligence (AI), the network enabled information sharing between counties and towns to offer remote diagnosis to patients with cardiovascular diseases. As at the end of the Reporting Period, the initiative achieved county-wide implementation across 13 towns in Fuping County, Baoding Prefecture, Hebei Province, and 17 towns in Xunwu County, Ganzhou Prefecture, Jiangxi Province. Furthermore, as a ray of hope for elderly people with poor eyesight or difficulties in understanding drug descriptions that might lead to safety concerns on drug usage, Alibaba Health and Alibaba Foundation, which leveraged their digital advantages, teamed up to perform elderly-oriented transformation for more than 9,000 NMPA-approved drugs, making enlarged textual descriptions and audio descriptions would be available when scanning the tracking codes of the drugs. Such concerted efforts are of great significance for improving medication safety among elderly and visually-impaired populations.

Future Prospects

Taking pride in its leadership in the "Internet + Healthcare" industry, Alibaba Health places user value as its priority at all times. It actively utilizes the capabilities and service experiences accumulated in the fields of Internet and other technological innovations over the years to empower the strategy of "cloud-based pharmacy", "cloud-based hospital" and "cloud-based infrastructure", striving to deliver quality and efficient healthcare services to more users.

Regarding "cloud-based pharmacy", the Group will continue to rely on a synergetic operation model that integrates its pharmaceutical direct sales business, the Tmall Healthcare Platform and a new retail business to leverage its digital capabilities and gather consumer insights in collaboration with brands and merchants, thereby revitalizing the healthcare sector for new momentum. In terms of "cloud-based hospital", the Group will, based on its profound insight into the Internet healthcare industry, explore scenarios and innovative models of healthcare services so as to provide patients with all-embracing services. As for "cloud-based infrastructure", we will conduct research on the AI large language model for verticals in the medical field under the guidance of regulators, with an aim of revamping products and service features to be applied in healthcare services for consumers with next-generation information technology.

Going forward, Alibaba Health will take the initiative to keep abreast of the latest policy developments and uphold the high-quality development vision of "becoming a digital health management company serving 500 million people within five years" with a consistent focus on "putting life first". By tapping into the enormous market of self-health management through the Internet and digital technologies, the Group will take a momentous step towards realizing its mission to make healthcare services accessible.

FINANCIAL REVIEW

The key financial data of the Group for the six months ended September 30, 2023 and September 30, 2022 is summarized as follows:

	Six months ended September 30,		
	2023	2022	Change
	RMB'000	*RMB'000*	*%*
		(Restated)	
Revenue	**12,956,000**	11,500,569	12.7
Gross profit	**2,868,668**	2,300,656	24.7
Gross profit margin	**22.1%**	20.0%	N/A
Fulfillment	**(1,248,808)**	(974,491)	28.1
Selling and marketing expenses	**(869,376)**	(858,890)	1.2
Administrative expenses	**(169,531)**	(173,338)	−2.2
Product development expenses	**(319,314)**	(323,986)	−1.4
Other income and gains	**336,078**	263,047	27.8
Shares of profits of joint ventures	**1,588**	19,952	−92.0
Share of losses of associates	**(9,779)**	(19,567)	−50.0
Profit for the period	**445,143**	163,509	172.2
NON-HKFRS ADJUSTMENTS			
Adjusted net profit	**642,473**	351,587	82.7

— **Revenue**

Revenue of the Group for the Reporting Period amounted to RMB12,956,000,000, representing an increase of RMB1,455,431,000 or 12.7%, compared with RMB11,500,569,000 for the Corresponding Period. The increase in revenue was mainly attributable to the rapid growth of the pharmaceutical direct sales business and healthcare and digital services business during the Reporting Period.

— ***Pharmaceutical Direct Sales Business***

The pharmaceutical direct sales business of the Group comprises the direct business-to-customer ("**B2C**") retail, related advertisement business and the business-to-business centralized procurement and distribution business. During the Reporting Period, the overall revenue from pharmaceutical direct sales business reached RMB11,446,663,000, representing an increase of 13.5% year-on-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 more professional consultation services.

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

The pharmaceutical e-commerce platform business of the Group comprises the e-commerce platform business acquired from Alibaba Group (including categories of, among others, pharmaceutical products, healthcare food, medical devices, adult and family planning products and contact lenses), and the provision of outsourced services to Tmall Healthcare 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 RMB1,021,241,000, representing an increase of 2.1% year-on-year.

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

The Group continued to enhance user experience of its professional healthcare services during the Reporting Period, providing seamless online-to-offline healthcare services (including, among others, TCM, medical checkups, testing, medical consultation, appointment-making, vaccination, dental care, mental care, optometry and nursing) to end users from various channels, such as Taobao, Tmall, Alipay, "Dr. Deer" APP, AMap, DingTalk and Quark. Digital services business includes tracking business. "Ma Shang Fang Xin", the Group's proprietary tracking platform, continued to grow steadily, by offering more value-added services with further penetration into the area of distribution and increasing the coverage of retail terminals. During the Reporting Period, the Group recorded a revenue of RMB488,096,000 from the healthcare and digital services business, representing a growth of 16.4% year-on-year.

— **Gross profit and gross profit margin**

The Group recorded a gross profit of RMB2,868,668,000 for the Reporting Period, representing an increase of RMB568,012,000 or 24.7% from RMB2,300,656,000 for the Corresponding Period. Gross profit margin for the Reporting Period was 22.1%, representing an increase of 2.1 percentage points comparing with the Corresponding Period.

— **Other income and gains**

Other income and gains for the Reporting Period amounted to RMB336,078,000, which primarily comprised interest income and gain on investments incurred during the Reporting Period. The increase from RMB263,047,000 for the Corresponding Period was mainly due to the increase in gain on disposal of investments.

— **Fulfillment**

Warehousing, logistics and customer service expenses, commissions on the Tmall Platforms, payment of handling fees and relevant staff costs incurred by the Group's pharmaceutical direct sales business were included in fulfillment costs. Fulfillment costs for the Reporting Period amounted to RMB1,248,808,000, representing an increase of RMB274,317,000 from RMB974,491,000 for the Corresponding Period. During the Reporting Period, fulfillment costs as a proportion of the revenue generated from pharmaceutical direct sales business increased by approximately 1.2 percentage points to 10.9%, as compared with 9.7% for the Corresponding Period, mainly due to the strengthened supply chain management and rise in performance obligations. Through integrated management of costs and fulfillment costs, the Group recorded a rise in gross profit margin after fulfillment compared with the Corresponding Period.

— **Selling and marketing expenses**

Selling and marketing expenses for the Reporting Period amounted to RMB869,376,000, representing an increase of RMB10,486,000 or 1.2% compared with RMB858,890,000 for the Corresponding Period. The selling and marketing expenses as a proportion of the Group's total revenue for the Reporting Period decreased to 6.7% from 7.5% as recorded for the Corresponding Period. The decrease was mainly attributable to the optimization of marketing and advertising strategies and the continuing effect of the economies of scale.

— **Administrative expenses**

Administrative expenses for the Reporting Period amounted to RMB169,531,000, representing a decrease of RMB3,807,000 or 2.2% as compared with RMB173,338,000 for the Corresponding Period. Benefiting from cost controls and the continuing effect of the economies of scale, the administrative expenses as a proportion of the Group's total revenue for the Reporting Period decreased to 1.3% from 1.5% as recorded for the Corresponding Period.

— **Product development expenses**

Product development expenses for the Reporting Period amounted to RMB319,314,000, representing a decrease of RMB4,672,000 or 1.4% as compared with RMB323,986,000 for the Corresponding Period. The product development expenses as a proportion of the Group's total revenue for the Reporting Period decreased to 2.5% from 2.8% as recorded for the Corresponding Period, which was due to optimization of 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, the Group's share of profits of joint ventures was RMB1,588,000, as compared with RMB19,952,000 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 RMB9,779,000, representing a decrease of RMB9,788,000 as compared with the losses of RMB19,567,000 recorded for the Corresponding Period. Share of losses of associates for the Reporting Period was mainly attributable to the fact that some associates were still at the transformation or growing stage.

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

The Group's profit for the Reporting Period amounted to RMB445,143,000, as compared with the restated profit of RMB163,509,000 for the Corresponding Period. The Group's adjusted net profit for the Reporting Period amounted to RMB642,473,000, as compared with an adjusted net profit of RMB351,587,000 for the Corresponding Period. Adjusted net profit is based on the profit for the corresponding period after excluding non-operating profit or loss items such as share-based compensation, change in fair value of financial assets at FVPL (net of tax), gain on deemed disposal of associates (net of tax), and gain on partial disposal of an associate (net of tax). The adjusted net profit for the Reporting Period increased as compared with the Corresponding Period, 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 economies of scale on the platform.

To supplement the Group's consolidated financial statements presented in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), the Group has also reported its adjusted net profit, which is not required under, or presented in accordance with, HKFRSs, as an additional financial indicator. 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 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.

The adjusted net profit for the six months ended September 30, 2023 and 2022 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 for the period):

	Six months ended September 30,	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Profit for the period		
Excluding	**445,143**	163,509
— Share-based compensation	**155,207**	154,392
— Fair value loss on financial assets at FVPL, net of tax	**95,018**	33,686
— Gain on deemed disposal of associates, net of tax	**(18,066)**	—
— Gain on partial disposal of an associate, net of tax	**(34,829)**	—
Adjusted net profit	**642,473**	351,587

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

For the six months ended September 30, 2023, 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, 2023 and March 31, 2023, the Group's cash and cash equivalents amounted to RMB11,697,450,000 and RMB10,917,171,000, respectively.

Cash flows of the Group for the six months ended September 30, 2023 and September 30, 2022 were as follows:

	Six months ended September 30,	
	2023	2022
	RMB'000	*RMB'000*
Net cash flows generated from operating activities	**910,177**	504,049
Net cash flows used in investing activities	**(979,406)**	(736,551)
Net cash flows used in financing activities	**(30,112)**	(16,010)
Net decrease in cash and cash equivalents	**(99,341)**	(248,512)
Cash and cash equivalents at the beginning of the period	**9,236,850**	9,341,427
Effects of exchange rate changes	**183,172**	309,910
Cash and cash equivalents at the end of the period as stated in the interim condensed consolidated statement of cash flows	**9,320,681**	9,402,825
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	**11,697,450**	11,255,033
Non-pledged time deposits with original maturity over three months	**(2,376,769)**	(1,852,208)
Cash and cash equivalents at the end of period as stated in the interim condensed consolidated statement of cash flows	**9,320,681**	9,402,825

Net cash flows generated from operating activities

For the Reporting Period, net cash flows generated from operating activities amounted to RMB910,177,000, primarily attributable to profit before tax of RMB481,271,000, as adjusted by: (i) non-cash or non-operating activities expense items, which primarily comprised the addition of share-based compensation expenses of RMB155,207,000, and the deduction of bank and other interest income of RMB204,309,000; (ii) changes in working capital, which primarily comprised a decrease in trade and bills payables of RMB255,260,000, a decrease in prepayments, other receivables of RMB116,795,000, an increase in other payables and accruals of RMB30,029,000, a decrease in inventories of RMB403,261,000; and (iii) addition of interest received of RMB172,264,000.

Net cash flows used in investing activities

For the Reporting Period, net cash flows used in investing activities amounted to RMB979,406,000, which was primarily attributable to the increase of the time deposits with original maturity of over three months of RMB564,966,000, net cash used in the purchase of financial assets at FVPL of RMB403,660,000 during the Reporting Period.

Net cash flows used in financing activities

For the Reporting Period, net cash flows used in financing activities was RMB30,112,000, which was primarily attributable to the principal portion of lease payments of RMB16,696,000 and the payment of RMB13,587,000 for repurchase of shares.

Gearing ratio

As at September 30, 2023, the Group did not have any borrowings, and hence no gearing ratio was shown.

Charged on assets and contingent liabilities

As at September 30, 2023, the Group did not have any material contingent liabilities and had not pledged any Group assets for bank loans or banking facilities.

Liquidity

The Group's operations and transactions are principally conducted in the PRC. The Group prudently managed its treasury functions and maintained a healthy liquidity position throughout the Reporting Period. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of its assets, liabilities and other commitments can meet the Group's funding requirements from time to time.

Foreign exchange exposures

Except for a certain amount of bank balances and cash, most of the Group's bank balances and cash are placed in fixed deposits and are denominated in Hong Kong dollars, Renminbi and United States dollars, while other assets and liabilities are mainly denominated in either Hong Kong dollars or Renminbi. The Group does not have foreign exchange hedging policy, but the management will continue to closely monitor exchange rate fluctuations and will take appropriate measures to keep foreign exchange risk exposure to the minimum. The Group does not use any financial instruments for hedging purposes.

EMPLOYEES AND REMUNERATION POLICIES

The number of full-time employees of the Group as at September 30, 2023 was 1,547 (March 31, 2023: 1,560). Total staff costs of the Group for the Reporting Period amounted to RMB572.6 million (for the six months ended September 30, 2022: RMB630.3 million). All staff employed by the Group in Hong Kong participated in the Mandatory Provident Fund Scheme.

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

The Group also adopted the share award scheme (the "**Share Award Scheme**") as approved by the shareholders of the Company on November 24, 2014 and amended on August 11, 2023. Pursuant to the Share Award Scheme, the Board may grant awards in the form of restricted share units or share 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

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, 2023, the Company's short-term investment at FVPL amounted to approximately RMB408.4 million (balance as at March 31, 2023: Nil).

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

INTERIM DIVIDEND

The Board has resolved that no interim dividend be declared for the six months ended September 30, 2023 (for the six months ended September 30, 2022: Nil).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended September 30, 2023

	Notes	**2023** **RMB'000** **(Unaudited)**	2022 *RMB'000* (Unaudited) (Restated)
REVENUE	*4*	**12,956,000**	11,500,569
Cost of sales		**(10,087,332)**	(9,199,913)
Gross profit		**2,868,668**	2,300,656
Other income and gains	*5*	**336,078**	263,047
Operating expenses			
Fulfilment	*6*	**(1,248,808)**	(974,491)
Selling and marketing expenses		**(869,376)**	(858,890)
Administrative expenses		**(169,531)**	(173,338)
Product development expenses		**(319,314)**	(323,986)
Other expenses and losses		**(105,802)**	(56,046)
Finance costs	*7*	**(2,453)**	(3,362)
Share of profits/(losses) of:			
Joint ventures		**1,588**	19,952
Associates		**(9,779)**	(19,567)
PROFIT BEFORE TAX	*8*	**481,271**	173,975
Income tax expense	*9*	**(36,128)**	(10,466)
PROFIT FOR THE PERIOD		**445,143**	163,509
Attributable to:			
Owners of the parent		**445,891**	162,194
Non-controlling interests		**(748)**	1,315
		445,143	163,509
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*11*		
Basic		**RMB3.30 cents**	RMB1.20 cents
Diluted		**RMB3.29 cents**	RMB1.20 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended September 30, 2023

	2023 *RMB'000* (Unaudited)	2022 *RMB'000* (Unaudited) (Restated)
PROFIT FOR THE PERIOD	**445,143**	163,509
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	**(208,011)**	(431,544)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	**606,397**	984,570
Equity investment designated at fair value through other comprehensive income:		
Changes in fair value	**(12,837)**	(20,935)
Income tax effect	**—**	2,094
	(12,837)	(18,841)
Share of other comprehensive income of an associate	**160**	—
Income tax effect	**(40)**	—
	120	—
Total other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax	**593,680**	965,729
TOTAL OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**385,669**	534,185
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**830,812**	697,694
Attributable to:		
Owners of the parent	**831,560**	696,379
Non-controlling interests	**(748)**	1,315
	830,812	697,694

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2023

	Notes	**September 30, 2023** ***RMB'000*** **(Unaudited)**	March 31, 2023 *RMB'000* (Audited) (Restated)
NON-CURRENT ASSETS			
Property and equipment	*12*	**37,811**	14,235
Right-of-use assets		**68,081**	54,313
Goodwill		**810,853**	810,853
Other intangible assets		**300,513**	309,010
Investments in joint ventures		**251,029**	249,441
Investments in associates		**2,288,441**	2,336,704
Equity investment designated at fair value through other comprehensive income		**116,891**	122,062
Financial assets at fair value through profit or loss		**1,837,122**	1,883,292
Other receivables and other assets		**14,782**	20,024
Deferred tax assets		**32,298**	34,096
Total non-current assets		**5,757,821**	5,834,030
CURRENT ASSETS			
Inventories		**1,727,035**	2,102,312
Trade and bills receivables	*13*	**606,752**	578,787
Prepayments, other receivables and other assets		**1,060,319**	1,139,940
Prepaid tax		**25,568**	25,318
Financial assets at fair value through profit or loss		**408,382**	—
Restricted cash		**156,363**	150,262
Cash and cash equivalents		**11,697,450**	10,917,171
Total current assets		**15,681,869**	14,913,790
CURRENT LIABILITIES			
Trade and bills payables	*14*	**3,458,787**	3,714,047
Other payables and accruals		**1,135,580**	1,127,492
Contract liabilities		**497,124**	495,066
Lease liabilities		**38,889**	37,437
Tax payable		**79,564**	63,402
Total current liabilities		**5,209,944**	5,437,444
NET CURRENT ASSETS		**10,471,925**	9,476,346
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,229,746**	15,310,376

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at September 30, 2023

	September 30, 2023	March 31, 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited) (Restated)
NON-CURRENT LIABILITIES		
Lease liabilities	**49,344**	40,361
Deferred tax liabilities	**118,643**	122,816
Total non-current liabilities	**167,987**	163,177
Net assets	**16,061,759**	15,147,199
EQUITY		
Equity attributable to owners of the parent		
Share capital	**119,240**	119,133
Treasury shares	**(10,993)**	(70,482)
Reserves	**15,980,504**	15,124,922
	16,088,751	15,173,573
Non-controlling interests	**(26,992)**	(26,374)
Total equity	**16,061,759**	15,147,199

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended September 30, 2023 (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, 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs" (which include all HKFRSs, HKASs and Interpretations)).

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended March 31, 2023, except for the adoption of the following new and revised HKFRSs for the first time for the current period's financial information.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform — Pillar Two Model Rules*

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since April 1, 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after April 1, 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at April 1, 2022, with any cumulative effect recognised as an adjustment to the balance of accumulated losses or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after April 1, 2022, if any.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at April 1, 2022. The quantitative impact on the financial information is summarised below.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) (continued)

Impact on the interim condensed consolidated statement of financial position:

	Increase/(decrease)		
	As at September 30, 2023	As at March 31, 2023	As at April 1, 2022
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Assets			
Deferred tax assets	**994**	265	28
Total non-current assets	**994**	265	28
Total assets	**994**	265	28
Liabilities			
Deferred tax liabilities	**322**	399	2,408
Total non-current liabilities	**322**	399	2,408
Total liabilities	**322**	399	2,408
Net assets	**672**	(134)	(2,380)
Equity			
Accumulated losses (included in reserves)	**(672)**	134	2,380
Equity attributable to owners of the parent	**672**	(134)	(2,380)
Total equity	**672**	(134)	(2,380)

The deferred tax assets and the deferred tax liabilities arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) (continued)

Impact on the interim condensed consolidated statement of profit or loss:

	Increase/(decrease) For the six months ended September 30, 2023 *RMB'000* (Unaudited)	2022 *RMB'000* (Unaudited)
Income tax expenses	**(806)**	(1,533)
Profit for the period	**806**	1,533
Attributable to:		
Owners of the parent	**806**	1,533
Non-controlling interests	**—**	—
	806	1,533
Total comprehensive income for the period	**806**	1,533
Attributable to:		
Owners of the parent	**806**	1,533
Non-controlling interests	**—**	—
	806	1,533

	Increase/(decrease) For the six months ended September 30, 2023 (Unaudited)	2022 (Unaudited)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
Basic	**RMB0.01 cents**	RMB0.01 cents
Diluted	**RMB0.01 cents**	RMB0.01 cents

The adoption of amendments to HKAS 12 did not have any impact on the other comprehensive income/(loss) and the interim condensed consolidated statements of cash flows for the six months ended September 30, 2023 and 2022.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(d) Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after January 1, 2023, but are not required to disclose such information for any interim periods ending on or before December 31, 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

During the six months ended September 30, 2023, over 95% (September 30, 2022: 95%) of the Group's revenue from external customers and non-current assets other than financial instruments and deferred tax assets as at September 30, 2023 attributed to Mainland China as determined based on the locations of customers and assets, respectively.

Information about a major customer

During the six months ended September 30, 2023, 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, 2022: Nil).

4. REVENUE

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

	Six months ended September 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Pharmaceutical direct sales business	**11,446,663**	10,081,462
Pharmaceutical e-commerce platform business	**1,021,241**	999,769
Healthcare and digital services business	**488,096**	419,338
	12,956,000	11,500,569

Disaggregated revenue information

	Six months ended September 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Type of goods or services:		
Sale of products	**10,842,508**	9,627,169
Provision of services	**2,113,492**	1,873,400
	12,956,000	11,500,569
Timing of revenue recognition:		
At a point in time	**11,950,035**	10,678,874
Over time	**1,005,965**	821,695
	12,956,000	11,500,569

5. OTHER INCOME AND GAINS

	Six months ended September 30, 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Other income		
Bank interest income	**203,859**	145,827
Government grants	**58,156**	60,846
Foreign exchange differences, net	**—**	44,245
Management fee income from a joint venture	**5,142**	4,852
Other interest income	**450**	676
Others	**2,058**	2,931
	269,665	259,377
Gains		
Gain on partial disposal of an associate	**48,337**	—
Gain on deemed disposal of associates	**18,066**	—
Gain on deregistration of subsidiaries	**—**	1,021
Gain on recognition of net investment in a sublease	**—**	2,649
Gain on disposal of a joint venture	**10**	—
	66,413	3,670
Total	**336,078**	263,047

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, 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest on lease liabilities	**2,453**	3,362

8. PROFIT BEFORE TAX

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

	Six months ended September 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of goods sold*	**9,116,014**	8,200,105
Cost of services provided* (excluding employee benefit expense)	**967,577**	925,200
Loss on disposal of property and equipment	**4**	80
Depreciation of property and equipment	**3,622**	5,109
Depreciation of right-of-use assets	**13,106**	21,674
Amortisation of intangible assets	**8,497**	9,114
Fair value loss on contingent consideration included in other payables and accruals**	**8,457**	11,085
Fair value loss on financial assets at fair value through profit or loss, net**	**85,564**	36,885
Impairment/(reversal of impairment) of inventories*	**(27,984)**	47,775
Impairment of trade receivables**	**85**	391
Reversal of impairment of a loan to a joint venture**	**(2,500)**	—
Loss on revision of lease terms arising from changes in the non-cancellable periods of leases**	**257**	3,167
Foreign exchange differences, net**	**10,221**	—
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**293,211**	342,399
Bonus	**95,622**	104,192
Pension scheme contributions[#]	**28,550**	29,320
Share-based compensation expenses	**155,207**	154,392
	572,590	630,303

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

** These items are included in "Other expenses and losses" in the condensed consolidated statement of profit or loss.

[#] There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

9. INCOME TAX EXPENSE

	Six months ended September 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Current — Hong Kong		
Charge for the period	**—**	336
Underprovision/(overprovision) in prior years	**(5)**	129
Current — Mainland China		
Charge for the period	**38,244**	9,116
Underprovision in prior years	**—**	566
Deferred	**(2,111)**	319
Total tax charge for the period	**36,128**	10,466

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended September 30, 2023. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the six months ended September 30, 2022.

In Mainland China, the companies are subject to the PRC corporate income tax rate of 25% (for the six months ended September 30, 2022: 25%) except for two (for the six months ended September 30, 2022: two) PRC subsidiaries which are entitled to a preferential tax rate of 15% because they are accredited as High and New Technology Enterprises.

10. DIVIDENDS

The board of Directors (the "Board") has resolved that no interim dividend be declared for the six months ended September 30, 2023 (for the six months ended September 30, 2022: Nil).

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to owners of the parent of RMB445,891,000 (for the six months ended September 30, 2022: RMB162,194,000 (restated)), and the weighted average number of ordinary shares of 13,512,923,035 in issue during the period (for the six months ended September 30, 2022: 13,508,899,419).

The calculation of the diluted earnings per share amount is based on the profit for the period 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 period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

The calculations of basic and diluted earnings per share are based on:

	Six months ended September 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Earnings		
Profit attributable to ordinary equity holders of the parents used in the basic earnings per share calculation	**445,891**	162,194

	Number of shares	Number of shares
	Six months ended September 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**13,512,923,035**	13,508,899,419
Effect of dilution — weighted average number of ordinary shares:		
Share options	**535,539**	440,582
Restricted share units	**38,575,338**	11,746,373
	13,552,033,912	13,521,086,374

12. PROPERTY AND EQUIPMENT

During the six months ended September 30, 2023, the Group acquired property and equipment at an aggregate cost of RMB27,389,000 (for the six months ended September 30, 2022: RMB4,753,000) and disposed of property and equipment with an aggregate net book value of RMB191,000 (for the six months ended September 30, 2022: RMB1,597,000), resulting in a net loss on disposal of RMB4,000 (for the six months ended September 30, 2022: RMB80,000).

13. TRADE AND BILLS RECEIVABLES

	September 30, 2023 RMB'000 (Unaudited)	March 31, 2023 RMB'000 (Audited)
Trade receivables	**635,381**	606,627
Impairment	**(28,629)**	(28,544)
	606,752	578,083
Bills receivable	**—**	704
	606,752	578,787

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, 2023 are amounts due from subsidiaries of Alibaba Group of approximately RMB208,017,000 (March 31, 2023: RMB192,106,000 (audited)) and the Group's associates of approximately RMB5,375,000 (March 31, 2023: RMB267,000 (audited)), which are repayable on credit terms mutually agreed by the parties involved.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the date of products received by or services rendered to customers and net of impairment, is as follows:

	September 30, 2023 RMB'000 (Unaudited)	March 31, 2023 RMB'000 (Audited)
Within 3 months	**488,813**	465,694
4 to 12 months	**98,136**	98,626
Over 12 months	**19,803**	13,763
	606,752	578,083

14. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the date of products received by the Group, is as follow:

	September 30, 2023 *RMB'000* **(Unaudited)**	March 31, 2023 *RMB'000* (Audited)
Within 3 months	**2,847,303**	3,000,935
4 to 12 months	**543,330**	624,112
Over 12 months	**68,154**	89,000
	3,458,787	3,714,047

Included in the Group's trade payables are amounts due to subsidiaries of Alibaba Group of approximately RMB1,008,856,000 (March 31, 2023: RMB843,047,000 (audited)), which are repayable on credit terms mutually agreed by the parties involved.

15. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

This interim condensed consolidated financial information was approved and authorised for issue by the Board on November 28, 2023.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") .

In the opinion of the Board, throughout the Reporting Period, the Company has complied with all applicable code provisions (the "**Code Provision(s)**") 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 the Group's business management and operations. The Directors consider that it is the most suitable for Mr. Zhu to hold both the positions of the Chairman and the Chief Executive Officer as they believe that it will ensure consistent leadership within the Group and enable more effective and efficient overall strategic planning of the Group. The Board is also of the view that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of the Chairman and the Chief Executive Officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code for securities transactions by the (i) Directors; and (ii) certain officers and employees of the Company or its subsidiaries that are considered to be likely in possession of unpublished inside information in relation to the Company or its securities, on terms not less exacting than those in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

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

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities, except that in May and June 2023, a trustee of the Share Award Scheme purchased a total of 3,180,000 shares of the Company on the market for a total consideration of HK$15,020,000 (equivalent to RMB13,587,000), to satisfy the share awards granted under the Share Award Scheme to the connected employees of the Company upon vesting.

MATERIAL CHANGES SINCE MARCH 31, 2023

Save for those disclosed in this announcement, there were no other material changes in the Group's financial position since the publication of the annual report for the year ended March 31, 2023 of the Company published on July 13, 2023.

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 (the "**Audit Committee**") and the independent auditor of the Company, Ernst & Young. The Audit Committee does not have any disagreement with the accounting treatment adopted by the Company.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

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

Hong Kong, November 28, 2023

As at the date of this announcement, the Board comprises Mr. Zhu Shunyan, Mr. Shen Difan and Mr. Tu Yanwu as the executive Directors; Ms. Huang Jiaojiao and Mr. Xu Haipeng as the non-executive Directors; and Ms. Huang Yi Fei (Vanessa), Dr. Shao Rong and Ms. Wu May Yihong as the independent non-executive Directors.

^ *For identification purposes only*