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## **ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED**

**阿里健康信息技术有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 00241)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019**

The board (the “**Board**”) of directors (the “**Directors**”) of Alibaba Health Information Technology Limited (the “**Company**”) 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, 2019 (the “**Reporting Period**”) together with comparative figures for the corresponding period of the preceding year. The interim condensed consolidated financial statements have been reviewed by the audit committee of the Company.

#### **HIGHLIGHTS**

- For the six months ended September 30, 2019, the Group reported revenue and gross profit of RMB4,116.8 million and RMB1,031.7 million, representing a significant year-on-year growth of 119.1% and 95.0%, respectively. The strong growth in revenue and gross profit was mainly attributable to the rapid growth of the pharmaceutical self-operated business, the pharmaceutical e-commerce platform business and the consumer healthcare business during the Reporting Period.
- The Group’s loss for the Reporting Period was RMB7.6 million, decreasing significantly by RMB82.4 million or 91.5% from a loss of RMB90.0 million for the corresponding period of the preceding year. The Group’s adjusted net profit (note 1) increased significantly to RMB139.5 million as compared to the adjusted net profit (note 1) of RMB10.5 million for the corresponding period of the preceding year. Net cash flows from operating activities for the Reporting Period also improved and reached RMB475.6 million. The Group’s profitability continued to improve, which will enable us to further explore new pharmaceutical retail models in the future, and to invest in and make strategic deployments in our innovative segments such as consumer healthcare, Internet healthcare and intelligent medicine.

- During the Reporting Period, the gross merchandise volume (GMV) generated by Tmall's Pharmaceutical platform as operated by the Group exceeded RMB37 billion. Annual active consumers of Tmall's Pharmaceutical platform (consumers who made one or more actual purchase(s) on Tmall's Pharmaceutical platform in the past 12 months) for the twelve months ended September 30, 2019 exceeded 160 million.
- During the Reporting Period, the Group's pharmaceutical self-operated business continued to grow significantly. Our self-operated online stores accumulated more than 37 million annual active consumers (consumers who made one or more actual purchase(s) on our self-operated online stores in the past 12 months) for the twelve months ended September 30, 2019. While growing our online business rapidly, the Group also actively made strategic deployments in the offline pharmaceutical retail market, continued to explore in-depth the development of our new pharmaceutical retail business model based on the online-to-offline (O2O) model, as well as prepared for the expected outflow of prescription drugs from hospitals given the changes in regulation.
- During the Reporting Period, the Group continued to expand into the consumer healthcare service market covering, among other things, medical aesthetics, oral health, vaccinations and health screenings. During the Reporting Period, the Group's consumer healthcare business maintained a solid growth, and the revenue attributable to the consumer healthcare business increased by 274.4% as compared to the corresponding period of the preceding year. We continued to enhance our cooperation with upstream enterprises, and to connect users to safe, professional and affordable consumer healthcare service providers through various channels such as mobile Taobao, Alipay and Koubei, while further fostering innovative business development in different segments.
- During the Reporting Period, pursuant to the strategic cooperation agreement entered into on November 14, 2018 with Alipay.com Co., Ltd.<sup>^</sup> (支付寶(中國)網絡技術有限公司) (“Alipay”), the Group continued to establish the medical and healthcare service channel on Alipay's user end which was exclusively operated by the Group and maintained close cooperation with offline medical and healthcare industry partners to expand the number of offline medical institutions connected with Alipay. As at the end of September 2019, Alipay had over 11,000 contracted medical institutions, including more than 3,600 Class II and Class III hospitals, among which over 300 Class III hospitals had been successfully connected to medical insurance payment. Since the Group became fully responsible for the management of Alipay's medical and healthcare service channel and its medical and healthcare industry partners, the number of users in hospital settings covered by the products operated by the Group has grown rapidly. In September 2019, the number of monthly active users using Alipay's medical and healthcare services in hospital settings exceeded 17 million.

- During the Reporting Period, the Group actively explored cooperation models for Internet hospitals with governments and hospitals to build an integrated regulatory and service platform. As the first Internet hospital platform integrating regulatory and service capabilities in the PRC, the “Zhejiang Internet Hospital Platform” established by Zhejiang Bianque Health Data Technology Company Limited^ (浙江扁鵲健康數據技術有限公司) (“**Zhejiang Bianque**”) of the Group was officially launched in January 2019. The platform features more than 130 registered medical institutions, including Class III A hospitals, and by the end of September 2019, the platform had achieved complete coverage of all prefecture-level cities in Zhejiang Province. As at the end of September 2019, the “Electronic Health Card Platform for Zhejiang Residents” established by Zhejiang Bianque had issued over 26 million electronic health cards.
  - The Group has also been utilizing the high quality internal and external resources of Alibaba Group (as defined below) with the aim to build an artificial intelligence (AI) medical system that can be applied in real-life scenarios. During the Reporting Period, the Group continued to work on and make progress in various areas, including our electroencephalography (EEG) epilepsy screening AI engine, our brain health screening AI engine as well as oral health digitalization, and gradually promoted their application in health screening centers and hospital departments. In addition, during the Reporting Period, the Group successfully researched and developed Alibaba Health’s Clinical Decision Support System (CDSS). As at the end of October 2019, the Group had entered into agreements with over 20 medical institutions nationwide, including Class III A hospitals, for the application of our CDSS products.
- <sup>1</sup> Adjusted net profit is based on the loss for the corresponding period after excluding share-based compensation expenses.

## KEY FINANCIAL INFORMATION

	Six months ended September 30,		
	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>	Change %
Revenue	<b>4,116,846</b>	1,878,709	119.1
— Pharmaceutical e-commerce platform business	<b>539,991</b>	225,170	139.8
— Pharmaceutical self-operated business	<b>3,435,166</b>	1,601,072	114.6
— Tracking business	<b>18,953</b>	18,922	0.2
— Consumer healthcare business	<b>110,664</b>	29,557	274.4
— Other innovative businesses	<b>12,072</b>	3,988	202.7
Gross profit	<b>1,031,660</b>	529,144	95.0
Gross profit margin	<b>25.1%</b>	28.2%	N/A
Loss for the period	<b>(7,629)</b>	(89,980)	(91.5)
Excluding			
— Share-based compensation expenses	<b>147,156</b>	100,466	46.5
Adjusted net profit	<b>139,527</b>	10,486	1,230.6

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended September 30, 2019*

		Six months ended September 30,	
		2019	2018
	<i>Notes</i>	<b>Unaudited RMB'000</b>	Unaudited <i>RMB'000</i>
REVENUE	3	4,116,846	1,878,709
Cost of revenue		(3,085,186)	(1,349,565)
Gross profit		1,031,660	529,144
Operating expenses			
Fulfillment	4	(467,029)	(246,041)
Sales and marketing expenses		(333,252)	(156,848)
Administrative expenses		(105,075)	(85,985)
Product development expenses		(135,138)	(103,679)
Other income and gains	5	63,922	17,995
Other expenses		(6,236)	(20,563)
Finance cost	6	(19,462)	(4,607)
Share of profits or losses of:			
Joint ventures	7	(5,344)	8,055
Associates	8	(18,418)	(16,269)
PROFIT/(LOSS) BEFORE TAX	9	5,628	(78,798)
Income tax expense	10	(13,257)	(11,182)
LOSS FOR THE PERIOD		(7,629)	(89,980)
Attributable to:			
Owners of the parent		(1,102)	(84,104)
Non-controlling interests		(6,527)	(5,876)
		(7,629)	(89,980)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	12	RMB(0.01) cent	RMB(0.80) cent

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*For the six months ended September 30, 2019*

	<b>Six months ended</b>	
	<b>September 30,</b>	
	<b>2019</b>	2018
	<b>Unaudited</b>	Unaudited
	<b>RMB'000</b>	<b>RMB'000</b>
LOSS FOR THE PERIOD	<b>(7,629)</b>	(89,980)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income will be reclassified to profit or loss in subsequent periods:		
Translation from functional currency to presentation currency	<b>75,307</b>	89,293
Other comprehensive income will not be reclassified to profit or loss in subsequent periods:		
Equity investment designated at fair value through other comprehensive income (“FVOCI”):		
Changes in fair value	<b>9,080</b>	—
Income tax effect	<b>(908)</b>	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<b>83,479</b>	89,293
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<b>75,850</b>	(687)
Attributable to:		
Owners of the parent	<b>82,377</b>	5,189
Non-controlling interests	<b>(6,527)</b>	(5,876)
	<b>75,850</b>	(687)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*As at September 30, 2019*

	<i>Notes</i>	September 30, 2019 <b>Unaudited</b> <i>RMB'000</i>	March 31, 2019 Audited <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property and equipment		11,903	8,886
Right-of-use assets		86,283	—
Goodwill		54,576	27,006
Other intangible assets		4,826	—
Investments in joint ventures		105,140	10,985
Investments in associates		1,923,932	1,964,854
Long-term receivables		15,571	39,372
Equity investment designated at FVOCI		136,411	119,801
Financial assets at fair value through profit or loss (“FVPL”)		<u>483,321</u>	<u>507,587</u>
Total non-current assets		<u><u>2,821,963</u></u>	<u><u>2,678,491</u></u>
<b>CURRENT ASSETS</b>			
Inventories		965,620	595,793
Trade and bills receivables	13	223,879	365,446
Prepayments, other receivables and other assets		229,900	323,352
Financial assets at FVPL		1,110,131	1,736,713
Restricted cash		2,688	1,719
Cash and cash equivalents		<u>2,658,998</u>	<u>280,371</u>
Total current assets		<u><u>5,191,216</u></u>	<u><u>3,303,394</u></u>
<b>CURRENT LIABILITIES</b>			
Interest-bearing borrowings		1,000,000	1,700,000
Lease liabilities		33,456	—
Trade and bills payables	14	1,434,649	902,651
Other payables and accruals		343,782	463,642
Contract liabilities		164,081	151,991
Tax payable		<u>15,423</u>	<u>15,098</u>
Total current liabilities		<u><u>2,991,391</u></u>	<u><u>3,233,382</u></u>
NET CURRENT ASSETS		<u><u>2,199,825</u></u>	<u><u>70,012</u></u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>5,021,788</u></u>	<u><u>2,748,503</u></u>

	<b>September 30, 2019 Unaudited RMB'000</b>	March 31, 2019 Audited RMB'000
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	<b>16,809</b>	11,677
Lease liabilities	<b>48,364</b>	—
	<u>          </u>	<u>          </u>
Total non-current liabilities	<b>65,173</b>	11,677
	<u>          </u>	<u>          </u>
Net assets	<b>4,956,615</b>	2,736,826
	<u>          </u>	<u>          </u>
<b>EQUITY</b>		
Equity attributable to owners of the parent		
Share capital	<b>105,636</b>	102,898
Treasury shares	<b>(12,087)</b>	(25,052)
Reserves	<b>4,927,098</b>	2,716,673
	<u>          </u>	<u>          </u>
	<b>5,020,647</b>	2,794,519
Non-controlling interests	<b>(64,032)</b>	(57,693)
	<u>          </u>	<u>          </u>
Total equity	<b>4,956,615</b>	2,736,826
	<u>          </u>	<u>          </u>



## NOTES TO FINANCIAL STATEMENTS

September 30, 2019

### 1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended September 30, 2019 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended March 31, 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs” (which include all HKFRSs, HKASs and Interpretations)).

### 2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended March 31, 2019, except for the adoption of the new and revised HKFRSs effective as of April 1, 2019.

HKFRS 16	<i>Leases</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015–2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

- (a) Other than as explained below regarding the impact of HKFRS 16 *Leases* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the adoption of the above new and revised standards has had no significant financial effect on these financial statements:

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of April 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at April 1, 2019, and the comparative information for 2019 was not restated and continues to be reported under HKAS 17 *Leases*.

The Group has used the following elective practical expedients when applying HKFRS 16 at April 1, 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at April 1, 2019 are as follows:

	<b>Increase/ (decrease) (Unaudited) RMB'000</b>
<b>Assets</b>	
Increase in right-of-use assets	73,087
Decrease in prepayments, other receivables and other assets	<u>(4,786)</u>
Increase in total assets	<u><u>68,301</u></u>
<b>Liabilities</b>	
Increase in lease liabilities	<u>68,301</u>
Increase in total liabilities	<u><u>68,301</u></u>

- (b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any significant impact on the Group’s interim condensed consolidated financial information.

### 3 REVENUE

The Group is primarily engaged in pharmaceutical self-operated business, operation of pharmaceutical e-commerce platform and consumer healthcare services platform, provision of tracking services and other innovative services in the People’s Republic of China (the “PRC”).

An analysis of revenue is as follows:

	<b>Six months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Pharmaceutical self-operated business	<b>3,435,166</b>	1,601,072
Pharmaceutical e-commerce platform business	<b>539,991</b>	225,170
Consumer healthcare business	<b>110,664</b>	29,557
Tracking business	<b>18,953</b>	18,922
Other innovative businesses	<b>12,072</b>	3,988
	<u><b>4,116,846</b></u>	<u>1,878,709</u>
<b>Total</b>	<u><b>4,116,846</b></u>	<u>1,878,709</u>

**Revenue from contracts with customers**

***Disaggregated revenue information***

	<b>Six months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Type of goods or services:</b>		
Sales of products	<b>3,271,829</b>	1,549,799
Provision of services	<b>845,017</b>	328,910
	<hr/>	<hr/>
Total revenue from contracts with customers	<b><u>4,116,846</u></b>	<b><u>1,878,709</u></b>
<b>Timing of revenue recognition:</b>		
At a point in time	<b>3,911,563</b>	1,795,259
Over time	<b>205,283</b>	83,450
	<hr/>	<hr/>
Total revenue from contracts with customers	<b><u>4,116,846</u></b>	<b><u>1,878,709</u></b>

Substantially all of the Group's revenue were derived from PRC, therefore, no geographical information is presented.

#### 4 FULFILLMENT

Fulfillment primarily consists of those costs incurred in warehousing, shipping, operation and customer services, which are associated with the Group's B2C online pharmacy business of over-the-counter drugs and other healthcare related products.

#### 5 OTHER INCOME AND GAINS

	Six months ended September 30,	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
Interest income	16,672	17,795
Gain on disposal of items of property and equipment	—	8
Gain on deemed partial disposal of associates	17,027	—
Gain on disposal of an associate <sup>#</sup>	21,791	—
Foreign exchange difference, net	1,783	—
Rental income	4,237	—
Government subsidies	1,975	—
Others	437	192
	<u>63,922</u>	<u>17,995</u>

<sup>#</sup> On March 29, 2019, Hongyun Jiukang Data Technology (Beijing) Company Limited<sup>^</sup> (弘云久康數據技術(北京)有限公司) (“**Hongyun Jiukang**”), a subsidiary of the Company, entered into an Equity Transfer Agreement with a wholly-owned subsidiary of Jiahe Meikang (Beijing) Technology Co., Ltd.<sup>^</sup> (嘉和美康(北京)科技股份有限公司) (“**Jiahe Meikang**”), an associate of Hongyun Jiukang, pursuant to which 45% equity interests of Beijing Jiamei Online Technology Co., Ltd.<sup>^</sup> (北京嘉美在線科技有限公司) (“**Jiamei Online**”) held by Hongyun Jiukang were transferred to a wholly-owned subsidiary of Jiahe Meikang, for a total cash consideration of approximately RMB53,042,000. The transaction was completed on August 16, 2019.

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

#### 6 FINANCE COST

Finance cost is interest on bank loans and other borrowings and lease liabilities of the Group.

#### 7 SHARE OF PROFITS OR LOSSES OF JOINT VENTURES

The Group recorded share of losses from existing joint ventures for the six months ended June 30, 2019 and 2018, except for a former 49%-owned joint venture, Beijing Honglian 95 Information Industries Company Limited<sup>^</sup> (北京鴻聯九五信息產業有限公司) (“**HL95**”), from which the Group recorded share of profit for the six months ended September 30, 2018, and a 45%-owned joint venture, Zhejiang Bianque, from which the Group recorded share of loss from the acquisition date to June 30, 2018. The Group also recorded share of losses of newly established joint venture for the period from the setup date to June 30, 2019.

## 8 SHARE OF PROFITS OR LOSSES OF ASSOCIATES

The Group recorded share of profits or losses from existing associates for the six months ended June 30, 2019 and 2018, except for Dongfang Customs Technology Company Limited^ (東方口岸科技有限公司), from which the Group recorded share of profits or losses for the six months ended September 30, 2019 and 2018.

## 9 PROFIT/(LOSS) BEFORE TAX

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

	Six months ended September 30,	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
Cost of goods sold*	2,646,318	1,244,323
Cost of services provided* (excluding employee benefit expense and share-based compensation expenses)	427,547	94,923
Depreciation of property and equipment	2,318	3,050
Depreciation of right-of-use assets	15,464	—
Amortisation of intangible assets	1,104	—
Fair value losses on financial assets at FVPL#	6,605	1,906
(Reversal of impairment)/impairment of inventories*	(1,362)	2,393
Reversal of impairment of trade receivables#	(1,227)	—
Write-off of inventories#	—	354
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	196,821	145,150
Pension scheme contributions	12,643	10,623
Share-based compensation expenses	147,156	100,466
	<u>356,620</u>	<u>256,239</u>
Foreign exchange differences, net	<u>(1,783)</u>	<u>17,886</u>

# These items are included in "Other expenses" in the interim condensed consolidated statement of profit or loss.

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

## 10 INCOME TAX EXPENSE

	Six months ended September 30,	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
Current — Mainland China		
Charge for the period	21,181	17,075
Overprovision in prior years	(12,122)	(6,883)
Deferred	4,198	990
	<u>13,257</u>	<u>11,182</u>
Total tax charge for the periods	<u>13,257</u>	<u>11,182</u>

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, 2019 and September 30, 2018.

In general, the PRC subsidiaries of the Company are subject to the PRC corporate income tax rate of 25% except for one PRC subsidiary which is entitled to a preferential tax rate of 15%, and one PRC subsidiary which is entitled to the preferential tax treatment of the former two-year income tax exemptions and later three-year 50% reductions policy since 2018.

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

## 11 DIVIDENDS

The Board has resolved that no interim dividend be declared for the six months ended September 30, 2019 (for the six months ended September 30, 2018: Nil).

## 12 LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the period attributable to owners of the parent, and the weighted average number of ordinary shares of approximately 11,835,917,067 in issue during the period (for the six months ended September 30, 2018: 10,448,498,262).

No adjustment has been made to the basic loss per share amounts presented for the six months ended September 30, 2019 and September 30, 2018 in respect of dilution, as the impact of the share options and restricted share units outstanding had an anti-dilutive effect on the loss per share amounts presented.

### 13 TRADE AND BILLS RECEIVABLES

	<b>September 30, 2019 Unaudited RMB'000</b>	March 31, 2019 Audited RMB'000
Trade receivables	214,382	213,467
Bills receivable	<u>36,066</u>	<u>179,775</u>
	<b>250,448</b>	393,242
Impairment	<u>(26,569)</u>	<u>(27,796)</u>
	<b><u>223,879</u></b>	<b><u>365,446</u></b>

The Group's trading terms with some of its customers are on credit. The Group provides a credit period 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, 2019 are amounts due from subsidiaries of Alibaba Group of approximately RMB24,040,000 (March 31, 2019: RMB10,735,000) and the Group's associates of approximately RMB5,673,000 (March 31, 2019: RMB25,331,000), which are repayable on credit terms similar to those offered to major customers of the Group.

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

	<b>September 30, 2019 Unaudited RMB'000</b>	March 31, 2019 Audited RMB'000
Within 3 months	185,961	179,668
3 to 12 months	1,713	5,867
1 to 2 years	<u>139</u>	<u>136</u>
	<b><u>187,813</u></b>	<b><u>185,671</u></b>

#### 14 TRADE AND BILLS PAYABLES

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

	<b>September 30, 2019 Unaudited RMB'000</b>	March 31, 2019 Audited RMB'000
Within 3 months	<b>1,010,984</b>	715,779
3 to 12 months	<b>422,306</b>	186,182
Over 12 months	<b>1,359</b>	690
	<b><u>1,434,649</u></b>	<b><u>902,651</u></b>

Included in the Group's trade payables as at September 30, 2019 are amounts due to subsidiaries of Alibaba Group of approximately RMB716,692,000 (March 31, 2019: RMB405,955,000), which are repayable on credit terms similar to those offered by the related companies to their major customers.

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

In 2019, despite challenging domestic and foreign conditions as well as increased external uncertainties, China's national economy has remained generally stable. For the first three quarters, China's gross domestic product (GDP) achieved a year-on-year growth of 6.2% given continued structural improvement of the economy. This has provided a solid foundation for the steady development of the healthcare industry.

The scale of China's healthcare market continues to grow steadily with innovation in business models and industry integration progressing at an accelerating pace. On the one hand, with the steady increase in disposable income of urban residents and greater health awareness, more and more urban residents have moved from seeking reactive medical treatment to pursuing active prevention, leading to a higher growth in healthcare expenditure than as compared to their overall consumption expenditure. On the other hand, the development of medical technology, biotechnology and digital health has led to a substantial improvement in the products and services offered by the medical and healthcare industry to meet the increasing demand of the sector.

In 2019, the Chinese government continued to implement the outline for the "Healthy China 2030" initiative (《「健康中國2030」規劃綱要》) to further deepen healthcare sector reform. On August 26, 2019, the 12th Session of the Standing Committee of the 13th National People's Congress passed the Amendment to the Drug Administration Law of the People's Republic of China (《中華人民共和國藥品管理法》) (the "**New Drug Administration Law**"). The New Drug Administration Law adapts to the new conditions and requirements of drug safety and governance in the new era, while fully respecting the science and purpose of drug regulation. It actively promotes institutional innovation and has significant and far-reaching implications for the modernization of China's drug safety and governance system and capabilities. The New Drug Administration Law abolishes the restrictions on the online sale of prescription drugs, adopts the principle that online and offline sales should be subject to the same standards and integrated supervision, as well as authorizes the drug regulatory and administrative departments of the State Council to work with the hygiene and health departments of the State Council to formulate specific measures and stipulates several categories of drugs that are subject to special administration by the country that may not be sold online. This leaves room for exploration in practice and will help continue to promote reform of the pharmaceutical distribution industry on the supply side. At the same time, the New Drug Administration Law repeatedly emphasizes the importance of a drug tracking system, and effectively promotes the establishment of a nationwide drug tracking system.

In respect of Internet consultation, the State Council issued the Notice of the General Office of the State Council on Publication of the Key Tasks for Deepening the Reform of the Medical and Health System in 2019 (《國務院辦公廳關於印發深化醫藥衛生體制改革2019年重點工作任務的通知》) in June 2019, highlighting the need for relevant departments to formulate the policies related to Internet consultation fees and medical insurance payment by the end of September 2019. In August 2019, the National Healthcare Security Administration issued the Guiding Opinions on Improving the Policies on the Pricing of “Internet +” Medical Services and Medical Insurance Payment (《關於完善「互聯網+」醫療服務價格和醫保支付政策的指導意見》). Based on the four basic principles of intensifying reform to delegate power; streamline administration and optimize services; more categorized management; encouraging innovation and coordinating development, the government has incorporated the pricing of “Internet +” medical services into the pricing policies of existing medical services for the first time to undergo uniform management, and adopted medical insurance payment policies for qualified “Internet +” medical services in accordance with the principle of fair treatment towards online and offline services. This will effectively promote the standardization of the Internet medical industry and help to popularize Internet consultation.

In addition, 21 ministries and commissions led by the National Development and Reform Commission jointly formulated and issued the Action Plan for Promoting the Quality Development of the Healthcare Industry (2019–2022) (《促進健康產業高質量發展行動綱要(2019–2022年)》) in September 2019. The Action Plan proposed ten major projects focused on key areas and critical segments. The “Internet + Healthcare” upgrading project specifies the need to build a national health information platform, which relies on citizens’ electronic health records and electronic medical records as a basic database to be complemented by citizens’ physical fitness, health checkup and other external data sources, to gradually manage health information big data for the whole population through the entire life cycle. Meanwhile, “Internet + drug circulation” was actively developed by establishing interconnected channels for the real-time sharing of Internet consultation prescription information and retail drug consumption information and supporting third-party drug delivery for online prescriptions, to accelerate the development of pharmaceutical e-commerce. The “Technological Innovation Project of the Healthcare Industry” proposes to support the development and application of cutting-edge technologies and products, accelerate the application of artificial intelligence technology in assisted interpretation of medical images, assisted clinical diagnosis and multi-dimensional medical data analysis, promote clinical trial of qualified artificial intelligence products, actively explore areas lacking medical resources and apply artificial intelligence technology to primary medical institutions to improve consultation quality, thereby promoting the realization of hierarchical consultation.

As a leading company in the “Internet + Healthcare” industry, Alibaba Health has been closely monitoring and actively following up on the above-mentioned favorable policies, and will actively explore new development and business opportunities towards continually creating value for the industry and users.

## **BUSINESS REVIEW**

As the healthcare flagship of Alibaba Group Holding Limited (“**Alibaba Holding**”, together with its subsidiaries, “**Alibaba Group**”), the Group, whose mission is to “make good health achievable at the fingertips”, has been strengthening the foundation of our pharmaceutical and healthcare businesses and actively planning for our future. With the vision of “facilitating medicine through big data and using the Internet to change the face of healthcare to provide fair, affordable and accessible medical and healthcare services to 1 billion people”, on one hand, the Group has been striving to expand its quality pharmaceutical and healthcare products sales business and break new ground in respect of providing more transparency and convenience to medical service businesses, such as consumer healthcare and Internet healthcare. On the other hand, cloud computing, AI and Internet-of-Things technologies are being utilized to explore informatization, digitalization and intelligent development of the healthcare industry to enhance its efficiency.

### **Pharmaceutical and healthcare product sales business**

The Group has been actively utilizing Internet technologies and Internet-of-Things technologies to build an omni-channel pharmaceutical and healthcare product and service supply and new retail system that covers the whole industry chain. Capitalizing on its established online platform strengths and its understanding of the market and users, the Group connects upstream industry chain players (e.g. manufacturers and leading distributors) to offline pharmaceutical retail chains to facilitate product circulation along the whole chain and strives to offer quality products and services to downstream players and consumers at competitive prices. A comprehensive supply system helps to boost efficiency in the supply chain by bringing manufacturers, distributors and consumers closer together so that manufacturers can deliver their professional services more directly to consumers. Such enhanced connection is conducive to serving consumers as well as exploring and creating new consumption demand.

During the Reporting Period, the Group continued to actively expand its cooperation with quality upstream brands and further strengthen its business partnerships with pharmaceutical, nutritional and healthcare product manufacturers and major domestic pharmaceutical distributors. As at the end of the Reporting Period, the Group was authorized to undertake the management of or open more than 70 franchised flagship stores on the Tmall platform, helping them to achieve favorable sales performance on Tmall.

During the Reporting Period, the Group continued to work on a number of public welfare activities. In August 2019, the Group cooperated with its partners to launch the fourth season of its national expired domestic drug collection activity to promote public welfare through its tracking capability, safeguarding consumers from expired drugs. In July 2017, Alibaba Health led and collaborated with its partners to establish the “Global Drug Search Alliance”. As at the end of the Reporting Period, we have helped more

than 2 million patients to find scarce drugs. Meanwhile, we actively listened to users' feedback and expanded and upgraded the original "drug search" function to include information about rare diseases, extending the "drug search" function to include a "consultation guide" function. On the "Global Drug Search Alliance" platform, we also opened a "clinical trial" window for patients, on the one hand, providing another possibility and hope for patients and their families who cannot find the required drugs directly, and on the other hand, using the solid traffic base and brand effects of Alibaba Health to contribute to the development of medical science.

- **Pharmaceutical e-commerce platform business**

During the Reporting Period, the Group continued its complete operation of the Tmall's Pharmaceutical platform, including the categories of medical devices and healthcare products, sexual health and family planning products, contact lens, health food and medical and healthcare services which had been acquired from Alibaba Group, while also providing outsourced and value-added services for the product categories of pharmaceutical products and nutritional supplements (excluding health food) on Tmall.

During the Reporting Period, the gross merchandise volume (GMV) generated by the Tmall's Pharmaceutical platform operated by the Group exceeded RMB37 billion. As at September 30, 2019, annual active consumers of Tmall's Pharmaceutical platform (consumers who made one or more actual purchase(s) on Tmall's Pharmaceutical platform in the past 12 months) exceeded 160 million.

As the GMV generated from and the number of users of the Tmall's Pharmaceutical platform continued to grow, the Group launched various innovative activities and services for different industries and product categories to continue to create value for merchants and consumers and to lead industry development. In respect of the nutritional products sector, we deepened our cooperation with local governments to create a map of local nutritional products, and attracted provinces and cities such as Ningxia, Qinghai and Yunnan to sign up to the Tmall's Pharmaceutical platform as official government flagship stores. In respect of the medical devices sector, we continued to expand our offerings based on existing categories by strongly promoting daily care, disease prevention and "healthcare-lite" products, improved consumers' industry awareness, and expanded our user base by focusing on these new categories, to foster a one-stop family health consumption mentality on the basis of meeting the whole population's health needs.

### ***Future prospects***

As the demand for health management of China's residents continues to grow and health-related consumption expenditure continues to increase, the Tmall's Pharmaceutical platform, as the largest healthcare e-commerce platform in China, has huge potential for sustainable growth. Following the promulgation and

implementation of the New Drug Administration Law, favorable policies for “Internet + Pharmaceutical E-commerce” are also becoming clearer. Based on the Internet consultation measures published last year, the Group will also focus on the accelerated development of online follow-up consultations and drug purchase services for chronic and common diseases, which will be provided to consumers in accordance with the laws and regulations and with user value as our starting point and goal. On the basis of the establishment of regulations and standards for online sales of drugs, the Group will take the lead in the healthy development of the industry to nurture greater growth potential.

- **Pharmaceutical self-operated business**

Through the pharmaceutical self-operated business, the Group provides customers with a wide range of health-related products such as OTC drugs, health supplements, medical devices, contact lenses and beauty care products which have been thoroughly checked by us, and is committed to providing customers with better shopping experience and after-sales protection. During the Reporting Period, fueled by the Group’s operational and branding advantages and our team’s efficient execution, the pharmaceutical self-operated business maintained rapid revenue growth. As at September 30, 2019, our self-operated online stores (AliHealth Pharmacy^ (阿里健康大藥房) and AliHealth Overseas Flagship Store^ (阿里健康海外旗艦店)) accumulated more than 37 million annual active consumers (consumers who made one or more actual purchase(s) in our self-operated online stores in the past 12 months). In September 2019, on the third anniversary of our self-operated stores, the Group issued the six main standards of our Super Pharmacy 2.0 (products covering all categories, coverage of all demographic groups, services for all scenarios, quality under strict control, medication management and health companionship) to upgrade AliHealth Pharmacy from a pharmaceutical retail platform to a family-oriented health service platform.

Meanwhile, the Group’s supporting systems and service capabilities in warehousing, logistics and customer service were further improved. To increase the geographical coverage of goods and to improve delivery efficiency, during the Reporting Period, the Group added central warehouses in Foshan and Chongqing to its three existing warehouses in Guangzhou, Shijiazhuang and Kunshan to deliver goods nationwide from these five warehouses. At present, through our cooperation with Cainiao, our coverage of remote areas has been significantly improved. Products of AliHealth Pharmacy can be delivered as far as Mohe in the north and Sansha in the south, with next day delivery to 20 core cities including Beijing, Shanghai, Guangzhou, Shenzhen and Hangzhou. Our self-operated online stores also provide online enquiry service with our own pharmacist teams, seven days a week, 16 hours a day, allowing consumers to have a better health management experience through pre-sales enquiry and after-sales re-visit service and we continue to enhance users’ trust in our self-operated stores through a comprehensive membership management service.

## ***Future prospects***

The Group's self-operated business has maintained strong growth momentum over the past three years. The core driver is our deeper understanding and exploration of the growing consumer demand. In the future, we will continue to enhance the shopping experience and loyalty of our existing customer base through product differentiation, dedicated procedures for quality control, premium delivery service and our comprehensive family health management service system, while fully capitalizing on the traffic resources from various portals of Alibaba Group to continually acquire new customers and expand our customer base. With the promulgation of the New Drug Administration Law and other policies, the Group will have more room for expansion of the product categories in our self-operated business. We will actively prepare for our follow-up consultation and drug purchase business for chronic and common diseases and with the continued satisfaction of user demand and enhancement of user experience and value as our driving motivation, we will continue to explore the trillion-dollar prescription drug market to achieve sustainable growth.

- **New retail model**

Based on meaningful takeaways from past experiences, the Group continued to explore the development strategy and path of the healthcare new retail business in depth. As at November 2019, the 24/7 30-minute drug delivery service was available in a total of ten cities, including Hangzhou, Beijing, Guangzhou, Shenzhen, Wuhan, Shanghai and Chengdu. Meanwhile, we launched the “emergency drug delivery” service in over 120 cities nationwide by making delivery within an hour, and will roll this out in more cities in the future. Benefitting from the operational experience we have accumulated, the Group can now offer online drug ordering fulfilled by delivery by the store or collection in store. Through linkage with the Internet healthcare business, we have tried to jointly promote our patient registration business and drug delivery business in cities, and to work together with Alipay to cultivate and develop the mentality of Alipay's massive user based in relation to online consultation and drug purchasing.

We also continued to focus on innovative business models, and launched new retail partnerships with Signia and Vibe, which are brands of Sivantos, a global leader in hearing aids, to help hearing-impaired users to customize their hearing aids remotely through the Tmall platform, connecting online and offline stores to allow users to experience high-end hearing aids and to provide heartwarming new retail services. During the Reporting Period, the Group further deepened our cooperation with upstream brands, continued to make progress in new retail exploration, worked with brands and industries to establish the B2B2C model, achieved end-to-end cooperation with Dong-E E-Jiao and Yunnan Baiyao, established mechanisms for more new products to be launched on the O2O platform, and helped traditional manufacturers to invigorate their brands through the new retail model.

## ***Future prospects***

The Group will continue to accumulate and learn from its experience and further explore and develop the new pharmaceutical retail sector by innovating the elements of customer footprint, merchandise and retail format (“人、貨、場”). Based on our operational experience, technical capabilities and customer traffic foundation, we will continue to facilitate pharmaceutical new retail, help offline pharmacies to reduce costs and increase efficiency, and realize a win-win situation for online and offline integration. We will seek to cover and assist more traditional brands not only to become a quality sales channel for them, but also to provide strong support for their brand-building, product innovation and customer services. We will also continue to focus on the integration and innovation of pharmaceutical new retail and other business models. During the Reporting Period, we organically integrated our O2O business with our Internet healthcare chronic disease management business sector to successfully apply the business model of online purchase of drugs using medical insurance in Quzhou, Zhejiang. This model will be implemented in more cities in the future.

- **Tracking business**

During the Reporting Period, the Group continued to develop its Ma Shang Fang Xin^ (碼上放心) tracking platform. Leveraging the strong computational and data processing capacity of Alibaba Cloud, the platform is capable of processing mega-sized big data and supporting several hundred thousand corporate users at the same time with its sound compatibility, accessibility and security.

As at the end of the Reporting Period, the number of pharmaceutical manufacturers which had signed up for the Ma Shang Fang Xin platform of the Group and renewed the agreement for product tracking accounted for over 90% of the total number of pharmaceutical manufacturers in China, with 100% coverage for vaccine manufacturers. Extensive utilization of the Ma Shang Fang Xin platform helps to bring online, digitize and improve the transparency of, the pharmaceutical supply chain, and to provide basic tools and value-added services to pharmaceutical industry participants for their daily management and online and offline integration, which include drug tracking and recall, channel management, patient education, vaccine cold chain tracking and medical insurance premium control. As at the end of the Reporting Period, more than 100 large-scale enterprises had purchased the value-added services provided by the Group. In non-pharmaceutical areas, the Group also actively promoted various open and innovative ways of cooperation. As at the end of the Reporting Period, the Group covered more than 1,000 Tmall Global merchants in aggregate, allowing consumers to easily check the chain information of imported goods.

### ***Future prospects***

On June 29, 2019, the 11th Session of the Standing Committee of the 13th National People's Congress passed the Vaccine Administration Law of the People's Republic of China (《中華人民共和國疫苗管理法》), which requires the implementation of a full electronic tracking system for vaccines nationwide. On August 26, 2019, the 12th Session of the Standing Committee of the 13th National People's Congress passed the Amendment to the Drug Administration Law of the People's Republic of China, which stipulates that “the State shall establish a sound drug tracking system” and “license holders of drugs available in the market, pharmaceutical manufacturers, pharmaceutical operators and medical institutions shall establish and implement a drug tracking system, and provide the tracking information as required to ensure the traceability of drugs.” The above regulations provide a legal basis for the construction of informatized tracking systems for vaccines and drugs. The National Medical Products Administration also successively issued guiding opinions on the construction of informatized drug tracking systems and the draft of relevant data standards for public comment, heralding the entry of China's pharmaceutical industry into an era of electronic supervision and the construction of the drug tracking system in full swing. Leveraging our first-mover advantage, the Group will follow the guidance of the new policies and continue our construction and development of the Ma Shang Fang Xin platform, providing safe, convenient and compliant solutions and expanding value-added services for pharmaceutical stakeholders, to help government departments achieving effective supervision and strengthening medical insurance premium control. Meanwhile, as the infrastructure of the Group's pharmaceutical business, the tracking business will also become the underlying technical support for the safety and traceability of prescription drugs sold online in the future.

### **Consumer healthcare business**

The Group's consumer healthcare business covers segments such as medical aesthetics, oral health, vaccination and health screening. We are committed to forging an entire ecosystem in the industry in the long run. On this basis, we will reshape the consumer healthcare environment and provide consumers with convenient, reliable, transparent and localized professional medical services.

During the Reporting Period, the Group's consumer healthcare business maintained strong growth momentum, with revenue attributable to the consumer healthcare business increased by 274.4% over the same period of last year. We continued to deepen our cooperation with upstream companies, connect safe, professional and affordable consumer healthcare service providers to the users of mobile Taobao, Alipay and Koubei, and promote business innovation and development in different sectors.



In respect of the medical aesthetics segment, we announced the Tmall medical aesthetics “renewal initiative”, which was dedicated to a comprehensive upgrade of stores, portals, products, scenarios and marketing methods. Through a variety of store formats such as flagship stores, we continued to introduce quality medical institutions to Tmall, boosted online and offline traffic through mobile Taobao, Alipay and Koubei in different fields and scenarios, strengthened the interaction between the Tmall medical aesthetics and Tmall cosmetics businesses, and continued to promote the construction of a digital marketing platform to continually enhance the medical aesthetics service experience of consumers.

In respect of the oral health industry, during the Reporting Period, we expanded into Alipay and launched the new “night oral clinic” service model to address the user demand and service providers’ supply timing mismatch.

In the field of vaccinations, we began to realize our plans in respect of the “vaccine booking service e-commerce” + “vaccine eco-cooperation” growth drivers. We continued to grow our vaccine booking service business rapidly, while maintaining good relationships with Merck Sharp & Dohme, GlaxoSmithKline and Sanofi Pasteur to promote awareness and to increase the vaccination rate of Chinese consumers. We also cooperated with various local health departments to develop an online vaccine booking service for consumers.

Alibaba Health successfully implemented a strategy of “operations and services at multiple points” in the field of health screening. By continuously expanding the supply at, and user coverage of, portals such as mobile Taobao and Alipay, service efficiency was enhanced continually, further consolidating Alibaba Health’s position as the leading platform for “Internet health screening”. In the past year, Alibaba Group took the lead in investing in iKang Guobin and Meinian Onehealth. These capital investments will lay a good foundation for our cooperation in the health screening business.

### ***Future prospects***

The Group’s consumer healthcare business has huge potential for growth. We will continue to focus on channel building, content operation and quality brand and merchant expansion for the consumer healthcare business. We will also empower our partners with our capabilities in respect of platform, data, customer service, technology, membership management and other related areas to empower merchants to achieve sustainable customer acquisition and maintenance as well as acquire operation and management capabilities, while enhancing user experience and continuing to create value for users. We will focus on long-term development, and strive to promote the overall service level of the industry, facilitate the establishment of a good business environment, and contribute to the sound and sustainable development of the entire industry.

## Internet healthcare business

During the Reporting Period, the Group relied on the previously established Alibaba Health Network Hospital Limited^ (阿里健康網絡醫院有限公司) to organize professionals such as medical practitioners, pharmacists and nutritionists to provide multi-faceted, multi-level, professional and convenient health consultation services and guidance for, among others, Taobao, Tmall and Alipay end-users. As at the end of the September 2019, over 27,000 medical practitioners, pharmacists and nutritionists had signed up with the Group to provide online health consultation services, of which more than 18,000 attended, were assistant chief or chief physicians.

The Group provides an array of medical and healthcare services to users through Alipay and has brought onboard Ant Financial as a shareholder to lay a solid foundation for further comprehensive and in-depth cooperation. Pursuant to the strategic partnership agreement entered into between the Group and Ant Financial in November 2018, the Group has established an exclusive and independent healthcare channel for Alipay users and is fully responsible for managing the healthcare industry partners featured on such channel. As at the end of September 2019, Alipay had over 11,000 contracted medical institutions, including more than 3,600 Class II and Class III hospitals and over 300 Class III hospitals have been connected to medical insurance payment services. Since the Group became fully responsible for the management of such medical and healthcare service channel and the healthcare industry partners, the number of users in the hospital settings covered by the products operated by the Group grew rapidly. In September 2019, the number of monthly active users using Alipay's medical and healthcare services in hospital settings exceeded 17 million.

The Group has been working to enhance supply and efficiency using technology to satisfy users' needs for offline treatment, online consultation and convenient healthcare management. During the Reporting Period, we made great progress in the area of Internet healthcare. In January 2019, the "Zhejiang Internet Hospital Platform", constructed by Zhejiang Bianque Health Data Technology Co., Ltd^ (浙江扁鵲健康數據技術有限公司) ("**Zhejiang Bianque**"), a company jointly invested by the Group and Ant Financial, was officially launched as the first Internet hospital platform in China that has integrated supervision and service capabilities. As at the end of September 2019, more than 130 medical institutions, including Class III A hospitals, were registered on the platform, covering all prefecture-level cities in Zhejiang Province. The "Zhejiang Internet Hospital Platform" has become a model project of the National Health Commission of the PRC as a result of its professional operation and healthy development. During the Reporting Period, we successively received visiting personnel from the National Health Commission and several provincial health commissions. We are also constantly accumulating operational experience and using our technical capabilities to upgrade our products. We have achieved innovative outcomes such as the integration of approvals of Internet hospitals signing on to the platform, diversification of regulated aspects, helping the Zhejiang Health Commission to realize effective and efficient supervision. Meanwhile, we continued to create value for medical institutions registered on the platform by

establishing the core business links that bring patients from various online portals, and that bring offline patients online, to the platform, as well as implementing a prescription circulation model that is operated online entirely, thereby realizing in-store drug collection or delivery by the store after online ordering. During the Reporting Period, we launched the examination and checkup reservation service on the platform to enhance loyalty and expand our user base by optimizing user experience through diversified services.

In October 2019, the Quzhou chronic disease management platform jointly established by Alibaba Health and the Quzhou Municipal Government of Zhejiang Province was officially announced. The platform is the first online medical insurance payment platform for chronic disease management in China. It is designed by Alibaba Health and integrates numerous capabilities available in Alibaba Group's digital economy. In addition to the security of medical insurance fund, the platform has realized full coverage of "Internet follow-up consultation + prescription online circulation + medical insurance online payment + drug delivery to home" so that patients with chronic diseases no longer need to go out for consultation. Meanwhile, the chronic disease management service in Quzhou is also organically integrated with the Zhejiang Internet Hospital Platform, further fulfilling the principal concept of the provincial and municipal governments and Alibaba Health in respect of patients with chronic diseases: making chronic disease management easier and more convenient for patients.

During the Reporting Period, the Group jointly established an organ transplant follow-up innovation platform with a number of top medical experts that was launched on Alipay. This is the first transplant follow-up platform built based on Internet technology in China. By bringing the traditional offline follow-up model online, we are committed to alleviating the difficult situation of post-transplant management and truly helping transplant patients in the PRC. This represents not only our continuous exploration of how Internet healthcare can create value, but also another milestone on Alibaba Health's journey to "make good health achievable at the fingertips".

### ***Future prospects***

The Group will leverage its experience and business operations in the Internet healthcare industry, together with its resources and competitive advantages, to promote the in-depth development of the Internet healthcare business. We will continue to capitalize on our strong foothold on Alipay and take advantage of Ant Financial's strategic investment to enhance the complementary resources and business synergies of the Group and Ant Financial, enrich and strengthen our online medical and healthcare product and service offerings, and continue to expand the user base of Alipay's medical and healthcare services. In addition, we will continue to develop quality medical institutions and doctor resources offline, particularly focusing on the continual expansion of medical insurance payment coverage, and to help offline hospitals carry out information technology upgrade to improve service standards and operational efficiency.

We will also follow the guidance of various favorable policies in relation to Internet healthcare and leverage the opportunity to promote the in-depth development of the Internet healthcare business. By thoroughly understanding relevant national policies and integrating the needs and following the guiding opinions of Zhejiang Province and other relevant cities, we will strengthen the development of the Zhejiang Internet Hospital Platform and the Quzhou chronic disease project, while continuing to accumulate capabilities and operational experience in order to implement the projects in other regions, thereby making inclusive and efficient Internet healthcare services available to the general public. The efficient linkage with the pharmaceutical segment will also provide the Group with strong competitive advantages in growing its prescription drug business.

### **Intelligent medicine business**

The Group cooperates with governments, hospitals, research institutes, colleges and other external organizations to explore the intelligent medicine business based on digital information, AI and big data technologies. Related areas include Internet medical associations, clinical decision support systems, remote imaging platforms, physiological signal aided diagnosis engine and solutions for blockchain data security etc.

During the Reporting Period, the Group continued to assist the government and hospitals in information technology construction with its technologies to provide inclusive and convenient medical and healthcare services to the public. In September 2018, the “Electronic Health Card Platform for Zhejiang Residents” constructed by Zhejiang Bianque was launched. The electronic health card was co-developed by Zhejiang Bianque and the Health Commission of Zhejiang Province for easy access to medical institutions in Zhejiang Province and can be used online and offline in different institutions and regions. As at September 2019, more than 26 million electronic health cards had been issued by the platform with coverage of all prefecture-level cities in Zhejiang Province. We are committed to the development and innovation of electronic health card functions. In addition to providing a number of convenient services such as record opening, verification, payment and family accounts for residents in Zhejiang Province, we also launched credit for medical services in a number of hospitals including Zhejiang Provincial People’s Hospital. Meanwhile, we actively responded to policy directives by executing the implementation and promotion of the “Zhejiang Provincial Resident Electronic Health Card” and “Zhejiang Provincial Resident Electronic Social Security Card (Medical Security Card)” integration project in Zhejiang Province to realize the provision of online and offline services such as registration, treatment, diagnosis and inspection, drug purchasing and medical expenses settlement all using a single card, so that more residents can enjoy the value of integrated medical care and medical insurance services. Zhejiang Bianque has been committed to constructing the regional medical “city brains” (city smart systems) and has achieved preliminary results during the Reporting Period. In August 2019, the “Health Yuhang Smart Cloud” platform was officially launched, which showcased Zhejiang Bianque’s use of leading technical capabilities and resources to help Hangzhou Yuhang District Government to build a regional smart

health comprehensive application system. The project not only helps the government to understand the medical resources, medical standards and health conditions of residents in Yuhang District, but also analyses the area's medical service capabilities and sustainable development capabilities through data, which provides a good foundation for the better cultivation of medical staff and services to residents. At the same time, by providing online appointment, registration, payment, interaction with family doctors, personal health management and other services to residents, the project can truly realize the potential of data and enable the general public to enjoy more efficient and convenient services.

Capitalizing on its strong cloud-based medical big data mining and analytical capabilities and through internal and external cooperation, the Group is committed to building an AI medical system that can be applied in real-life situations. During the Reporting Period, we continued our efforts in various areas and made breakthrough developments. The AI engine of EEG epilepsy developed using in-depth learning technology is used to automatically identify abnormal wave patterns on various EEG maps, such as falsification, physiological and epilepsy abnormal discharge, and assist doctors reading EEGs in improving reading efficiency and quality. The product has not only been recognized by domestic authoritative experts in the field, but has been applied on a pilot basis in a number of hospitals. We also developed the AI engine for brain health screening, that utilizes AI technology to conduct quantitative analysis on EEGs, which has a wide range of scenarios for application in terms of the indication of depression and assessing the risk of Alzheimer's Disease. At the same time, we also explored the application of AI in the digital oral field, and developed a digital assistance design solution for orthodontics. While the market potential of orthodontic market in China is substantial and has been growing rapidly, the supply of competent doctors is seriously insufficient as the traditional orthodontic method relies entirely on the experience of doctors to operate manually. Through the digital orthodontic solutions empowered by our AI, we are able to lower the technical barrier for our orthodontic doctors to practise in the industry and to help more patients. In relation to electronic medical records structuring, the Group won the championship in the Chinese electronic medical records nomenclature entity and assessment task at the China Conference on Knowledge Graph and Scientific Computing (CCKS) for two consecutive years in 2018/2019. Based on our industry-leading technical capabilities, we successfully developed our own Clinical Decision Support System (CDSS) during the Reporting Period. CDSS, with doctors as the primary users, helps doctors to collect diagnosis and treatment information, provides doctors with standardized assisted diagnosis decisions, medication and examination treatment plans reminders, and on relevant disease knowledge and information during the consultation process, thereby improving the consultation efficiency and accuracy, and at the same time providing the hospital with the capability and assurance to effectively carry out quality control of its medical records. Through such comprehensive application, CDSS can also empower hospitals to carry out technological transformation and upgrading, and to meet the new requirements of the State on the construction of intelligent hospitals. After solid preliminary research and development and product

testing, our CDSS products have been widely recognized by the industry since their launch. As of the end of October 2019, we have entered into contracts with over 20 medical institutions in China, including Class III A hospitals, to commercially apply our CDSS products.

Through its controlling interest in Seenew Medical Technology (Zhejiang) Co., Ltd.^ (熙牛醫療科技(浙江)有限公司) (“**Seenew Technology**”), the Group is committed to research and development, and establishment of an integrated cloud platform for medical institutions that covers comprehensive business processes and online and offline service scenarios. Through its accumulated experience, solidified abilities and the process of product refinement, Seenew Technology has successfully developed cloud-based hospital information systems (HIS) products for large-scale medical groups/medical associations, and achieved unified process control, service level and quality standards for all branches within the medical groups/medical associations through information-based means, while maintaining a certain degree of customization. The product has been launched in offline medical groups for testing. At the same time, Seenew Technology has also successfully developed a regional cloud-based HIS system focusing on all medical institutions in districts and counties, which will effectively promote the interconnection between medical institutions and medical administrative units in the regions, reduce the cost of informatization upgrade, and improve the efficiency and value of the extraction and application of medical data. Taking this opportunity, the Group will provide medical and health management services to people at the broader county-level in China in the future.

### ***Future Prospects***

Based on the technology and experience it has accumulated in practice, the Group will continue to assist the government and industry partners in the informatization upgrade and transformation of medical services. We will continue to promote the full implementation of the “integration of two cards” project in Zhejiang Province and the launch of online medical insurance payment services. The Group has accumulated experience from the “Health Yuhang Smart Cloud” project and promoted the construction of medical “city brains” in more regions based on Alibaba Health’s industry-leading technical capabilities. We will also continue to expand our existing CDSS, oral digitalization, EEG epilepsy AI and brain health screening AI products to be applied in more medical institutions and scenarios for commercial application, with a view to improving the supply of medical resources through AI, reducing the cost of medical services, creating value for the medical industry and bringing inclusive medical services to the public. Our cloud-based HIS products will be used in county-level medical institutions and public health departments in the future, which will also help to promote the implementation of hierarchical diagnosis and treatment, promote the construction of medical associations and assist national medical reform.

## FINANCIAL REVIEW

The key financial figures of the Group for the six months ended September 30, 2019 and September 30, 2018 are summarized as follows:

	<b>Six months ended September 30,</b>		
	<b>2019</b>	2018	Change
	<i><b>RMB'000</b></i>	<i>RMB'000</i>	%
Revenue	<b>4,116,846</b>	1,878,709	119.1
Gross profit	<b>1,031,660</b>	529,144	95.0
Gross profit margin	<b>25.1%</b>	28.2%	N/A
Fulfillment	<b>(467,029)</b>	(246,041)	89.8
Sales and marketing expenses	<b>(333,252)</b>	(156,848)	112.5
Administrative expenses	<b>(105,075)</b>	(85,985)	22.2
Product development expenses	<b>(135,138)</b>	(103,679)	30.3
Other income and gains	<b>63,922</b>	17,995	255.2
Other expenses	<b>(6,236)</b>	(20,563)	(69.7)
Finance cost	<b>(19,462)</b>	(4,607)	322.4
<b>Operating profits/(losses)</b>	<b>29,390</b>	(70,584)	N/A
Share of (losses)/profits of joint ventures	<b>(5,344)</b>	8,055	N/A
Share of losses of associates	<b>(18,418)</b>	(16,269)	13.2
Loss for the period	<b>(7,629)</b>	(89,980)	(91.5)
Net losses attributable to owners of the parent	<b>(1,102)</b>	(84,104)	(98.7)
<b>NON-HKFRS ADJUSTMENTS</b>			
Adjusted net profit	<b>139,527</b>	10,486	1,230.6

### — Revenue

Revenue of the Group for the six months ended September 30, 2019 amounted to RMB4,116,846,000, representing an increase of RMB2,238,137,000 or 119.1% as compared to RMB1,878,709,000 for the six months ended September 30, 2018. The increase in revenue was attributable to the rapid growth in revenue from pharmaceutical self-operated business, pharmaceutical e-commerce platform business and consumer healthcare business during the Reporting Period.

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

Our pharmaceutical e-commerce platform business comprises the e-commerce platform business relating to health food and medical devices, etc., that the Group acquired from Alibaba Group, the business of providing outsourced services to Tmall's Pharmaceutical platform (in respect of categories other than those that have already been acquired) and the pharmaceutical O2O business. During the Reporting Period, the total revenue from abovementioned business reached RMB539,991,000, representing a year-on-year increase of 139.8%.

— ***Pharmaceutical Self-operated Business***

The pharmaceutical self-operated business of the Group comprises our self-operated B2C retail, related advertisement business and our B2B centralized procurement distribution business. During the Reporting Period, the revenue from pharmaceutical self-operated business reached RMB3,435,166,000, representing a year-on-year increase of 114.6%. The rapid growth in revenue was mainly due to the continual enrichment of the categories of goods sold through the Group's self-operated B2C and SKU, more detailed management of the self-operated business, optimization of the customer purchase experience and enhancement of repeated purchases by customer and continued strengthening of our cooperation with upstream quality brands. As at the end of the Reporting Period, the Group had been authorized to undertake the management of or establish over 70 flagship stores on Tmall's Pharmaceutical platform.

— ***Tracking Business***

During the Reporting Period, the Ma Shang Fang Xin^ (碼上放心) tracking platform, an effective solution for pharmaceutical tracking, covered 90% of pharmaceutical manufacturers in China. Revenue from the tracking business for the Reporting Period was RMB18,953,000, which was relatively stable as compared to the corresponding period of the preceding year. Currently, the business is mainly positioned as providing safe, convenient and compliant solutions for the pharmaceutical industry and assisting governmental authorities in realizing effective monitoring.

— ***Consumer Healthcare Business***

Noticing consumers' increasing demands for beauty and health, the Group actively cooperates with medical aesthetics, health screening, vaccination, oral health, and other medical and healthcare service organizations through its online platform and self-operated stores, to provide customers with safe, professional and transparent medical healthcare services, as well as health education, consultation, reservation and other value-added services. The Group not only continuously helps its merchants acquire customers by providing integrated marketing services via the consumer healthcare platform, but also empowers its merchants to maintain their customer base, thereby resolving customers' issues and enhancing customer experience. During the Reporting Period, the consumer healthcare business grew rapidly, with revenue attributable to the business amounting to RMB110,664,000, representing a year-on-year growth of 274.4%.



— ***Other Innovative Businesses***

Other than the above businesses, the Group has been exploring fee models in the Internet healthcare and intelligent medicine areas. During the Reporting Period, revenue from innovative businesses of the Group, including online health consultation, amounted to RMB12,072,000, representing a year-on-year growth of 202.7%.

— **Gross profit and gross profit margin**

The Group recorded gross profit of RMB1,031,660,000 for the six months ended September 30, 2019, representing an increase of RMB502,516,000 or 95.0% as compared to RMB529,144,000 for the corresponding period of the preceding year. Gross profit margin for the Reporting Period declined to 25.1% as compared to 28.2% for the corresponding period of the preceding year.

— **Fulfilment**

Warehousing, logistics and customer service expenditures incurred by the Group's self-operated pharmaceutical business were included in fulfillment costs. Fulfilment costs for the six months ended September 30, 2019 amounted to RMB467,029,000, representing an increase of RMB220,988,000 or 89.8% from RMB246,041,000 for the corresponding period of the preceding year mainly due to the rapid growth in revenue of self-operated B2C business. During the Reporting Period, fulfilment costs accounted for 13.6% of the revenue from self-operated pharmaceutical business, declining from 15.4% for the corresponding period of the preceding year, which reflected the enhancement of operating efficiency of the Group in respect of warehousing, logistics and customer services.

— **Sales and marketing expenses**

Sales and marketing expenses for the six months ended September 30, 2019 amounted to RMB333,252,000, representing an increase of RMB176,404,000 or 112.5% as compared to RMB156,848,000 for the corresponding period of the preceding year. Such increase was mainly due to the increase in promotional costs to publicize self-operated stores of the Group. In addition, the Group also increased the headcount for its sales and operation functions and innovative business.

— **Administrative expenses**

The administrative expenses for the six months ended September 30, 2019 amounted to RMB105,075,000, representing an increase of RMB19,090,000 or 22.2% as compared to RMB85,985,000 for the corresponding period of the preceding year. Such increase was mainly attributable to rapid business growth which led to an increase in back-end supporting costs, travel expenses and professional costs.

— **Product development expenses**

Product development expenses for the six months ended September 30, 2019 amounted to RMB135,138,000, representing an increase of RMB31,459,000 or 30.3% as compared to RMB103,679,000 for the corresponding period of the preceding year. Such increase was mainly due to the increased headcount of the Company's research and development function. During the Reporting Period, the Group continued to recruit more information technology engineers in order to expand our Internet healthcare and intelligent medicine businesses, as well as to support the rapid growth in our pharmaceutical business and consumer healthcare business.

— **Other income and gains**

Other income and gains for the six months ended September 30, 2019 amounted to RMB63,922,000, representing an increase of RMB45,927,000 or 255.2% as compared to RMB17,995,000 for the corresponding period of the preceding year, which was mainly due to the gain from the disposal of associates and the gain on deemed disposal of associates during the Reporting Period. In particular, in August 2019, the Group disposed its equity interests in Jiamei Online, a 45%-owned associate, and recognized a gain of RMB21,791,000.

— **Other expenses**

Other expenses for the six months ended September 30, 2019 amounted to RMB6,236,000, representing a decrease of RMB14,327,000 or 69.7% as compared to RMB20,563,000 for the corresponding period of the preceding year. Such decrease was mainly due to other expenses incurred by the foreign exchange loss of RMB17,886,000 in the preceding year, while no such expense incurred during the Reporting Period.

— **Finance costs**

Finance cost for the six months ended September 30, 2019 amounted to RMB19,462,000, representing an increase of RMB14,855,000 or 322.4% from RMB4,607,000 for the corresponding period of the preceding year. Such increase was mainly attributable to the increase in the average balance of the Group's borrowings as compared to the corresponding period during the Reporting Period.

— **Share of (losses)/profits of joint ventures**

Share of (losses)/profits of joint ventures represented the share of net operating result of the Group's 45%-owned joint venture, Zhejiang Bianque, and Jiangsu Purple Gold Hongyun Health Industry Investment (Limited Partnership)^ (江蘇紫金弘雲健康產業投資合夥企業(有限合夥)), its 13.72%-owned joint venture. For the six months ended September 30, 2019, share of losses of joint ventures was RMB5,344,000, while share of profits of joint ventures of RMB8,055,000 was recorded for the corresponding

period of the preceding year. The share of losses of joint ventures was mainly attributable to the fact that Zhejiang Bianque was at an early stage of investment and operation during the Reporting Period. Share of profits of joint ventures for the corresponding period of the preceding year was mainly from the net operating results of HL95, the Group's 49%-owned joint venture, and its equity interests had been completely disposed of during the preceding year.

— **Share of losses of associates**

The Group actively invests in the healthcare sector. Share of losses of associates represented the share of net operating results of associates, such as Anhui Huaren Health Pharmaceutical Co. Ltd<sup>^</sup> (安徽華人健康醫藥股份有限公司), Guizhou Yishu Chain Pharmaceutical Co. Ltd<sup>^</sup> (貴州一樹連鎖藥業有限公司) and Gansu Deshengtang Pharmaceutical Technology Group Co. Ltd.<sup>^</sup> (甘肅德生堂醫藥科技集團有限公司), which are regional leading pharmaceutical retail chains and medical information companies. The share of losses of associates for the Reporting Period amounted to RMB18,418,000, representing an increase in RMB2,149,000 or 13.2% from RMB16,269,000 for the corresponding period of the preceding year. Such change was mainly attributable to the fact that some of the Group's associates are still at an early stage of business development, while some are in the transformation or growing stage.

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

For the six months ended September 30, 2019, the Group's adjusted net profit amounted to RMB139,527,000, representing a significant increase of RMB129,041,000 as compared to adjusted net profit of RMB10,486,000 for the corresponding period of the preceding year. The increase in adjusted net profit was mainly attributable to the speedy growth of the Group's pharmaceutical e-commerce platform business and pharmaceutical self-operated business as a result of economies of scale, as well as the contribution of the consumer healthcare business to the Group's profit. The profitability of the Group continued to improve, which will enable us to further explore the new pharmaceutical sales model in the future, and to invest in and make strategic deployments in respect of innovative businesses such as those involving consumer healthcare, Internet healthcare and intelligent medicine.

To supplement the Group's consolidated financial statements presented in accordance with Hong Kong Financial Reporting Standards (HKFRS), the Group has also reported its adjusted net profit, which is not required under, or presented in accordance with, HKFRS, as an additional financial indicator. We are of the view that presenting the non-HKFRS indicator together with the relevant HKFRS indicator will help investors to better compare our operational performance across various periods, without the potential impact of projects which our management considers as not indicative to our operational performance. We believe that the non-

HKFRS indicator provides investors and other individuals with helpful information to understand and assess our consolidated operational results in the same way that our management does. However, the adjusted net profit we presented may not be comparable with similar indicators presented by other companies. Such non-HKFRS indicator has its limitations as an analytical tool, and should not be regarded as independent from the operational results or financial position presented according to HKFRS, or as an alternative to analyze the relevant operational results or financial position of the Group. In addition, the definition of such non-HKFRS indicator may vary from those applied in other companies.

The adjusted net profits for the six months ended September 30, 2019 and 2018 set out in the table below represent adjustments to the most direct and comparable financial indicator calculated and presented in accordance with HKFRS (i.e., loss for the Reporting Period):

	<b>Six months ended</b>	
	<b>September 30,</b>	
	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Loss for the Reporting Period	<b>(7,629)</b>	(89,980)
Excluding		
— Share-based compensation	<b><u>147,156</u></b>	<u>100,466</u>
Adjusted net profit	<b><u><u>139,527</u></u></b>	<u><u>10,486</u></u>

## LIQUIDITY, FINANCIAL RESOURCES AND FOREIGN EXCHANGE EXPOSURES

The cash and other liquid financial resources of the Group as at September 30, 2019 and the corresponding comparative figures as at March 31, 2019 are summarized as follows:

	<b>September 30, 2019</b>	March 31, 2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Cash and cash equivalents	<b>2,658,998</b>	280,371
Short-term investment at fair value through profit or loss — financial products	<b><u>1,109,714</u></b>	<u>1,736,713</u>
Cash and other liquid financial resources	<b><u><u>3,768,712</u></u></b>	<u><u>2,017,084</u></u>

Cash and cash equivalents increased by RMB2,378,627,000 or 848.4% from RMB280,371,000 as at March 31, 2019 to RMB2,658,998,000 as at September 30, 2019. Such increase mainly reflected the net inflows generated from the Group's cash flow from operating activities and the issue of new shares to Alibaba Group and Ant Financial for financing.

Short-term investment at fair value through profit or loss was short-term investment in high liquidity bank financial products with maturity within 3 months (including 3 months).

Cash flows of the Group for the six months ended September 30, 2019 and September 30, 2018 were as follows:

	<b>Six months ended</b>	
	<b>September 30,</b>	
	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Net cash flows generated from operating activities	<b>475,639</b>	302,333
Net cash flows generated from/(used in) investing activities	<b>359,333</b>	(806,116)
Net cash flows generated from financing activities	<b>1,268,283</b>	1,259,608
	<u><b>2,103,255</b></u>	<u>755,825</u>
Net increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	<b>280,371</b>	508,419
Effects of exchange rate changes	<b>63,735</b>	54,837
	<u><b>2,447,361</b></u>	<u>1,319,081</u>
Cash and cash equivalents at the end of the period		
Cash and cash equivalents as stated in the interim condensed consolidated statements of financial position	<b>2,658,998</b>	1,319,081
Non-pledged time deposits with original maturity over three months	<b>(211,637)</b>	—
	<u><b>2,447,361</b></u>	<u>1,319,081</u>
Cash and cash equivalents at the end of period		

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

For the Reporting Period ended September 30, 2019, net cash flows generated from operating activities amounted to RMB475,639,000, which was primarily attributable to our net profit before income tax from continuing operations of RMB5,628,000, as adjusted by: (1) addition of non-cash or non-operating activities expense items, which primarily comprised share-based compensation expenses of RMB147,156,000, share of losses of joint ventures and associates of RMB23,762,000 and finance costs of RMB19,462,000, deducting non-cash or non-operating activities income items,

mainly including the gains on disposal of associates and the gain on deemed partial disposal of associates of RMB38,818,000 and interest income of RMB16,672,000; and (2) changes in working capital, which primarily comprised an increase in trade payables of RMB529,698,000, a decrease in trade receivables of RMB142,797,000, a decrease in prepayments, deposits and other receivables of RMB94,219,000, an increase in inventories of RMB367,377,000, and a decrease in other payables and accruals of RMB132,332,000.

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

For the six months ended September 30, 2019, net cash flows generated from investing activities amounted to RMB359,333,000, which was primarily attributable to the net cash generated from redemption of financial assets measured at fair value through profit or loss of RMB644,243,000 and the receipt from the disposal of associates of RMB53,042,000. In addition, during the Reporting Period, the net cash used in the purchase of fixed deposits for a term of three months and above amounted to RMB211,637,000, while capital injection in associates and joint ventures amounted to RMB99,500,000.

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

For the six months ended September 30, 2019, net cash flows generated from financing activities amounted to RMB1,268,283,000, which was primarily attributable to the amount of HK\$2,272,320,000 from the issuance of 302,976,000 new shares at the price of HK\$7.5 per share to Alibaba Group and Ant Financial. In addition, the principal and interests for the borrowings from Alibaba Group of RMB719,249,000 were repaid during the Reporting Period.

— **Gearing ratio**

The Group's total borrowings as at September 30, 2019 were RMB1.0 billion (March 31, 2019: RMB1.7 billion), all of which were at fixed interest rate. As at September 30, 2019, the Group's balance of cash and other liquid financial resources exceeded total borrowings and hence no gearing ratio was shown (March 31, 2019: Nil).

As at September 30, 2019, the Group did not have any material contingent liabilities and did not pledge any Group assets for bank loans and banking facilities.

The Group's operations and transactions are principally conducted in the PRC. The Group prudently managed its treasury functions and maintained a healthy liquidity position throughout the six months ended September 30, 2019. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of our assets, liabilities and other commitments can meet the Group's funding requirements from time to time. Other than a certain amount of bank balances and cash, most of the Group's bank balances and cash are placed in fixed deposits and are

denominated in Hong Kong dollars, Renminbi and United States dollars, while other assets and liabilities are mainly denominated in either Hong Kong dollars or Renminbi. The Group's presentation currency is Renminbi to reflect its operations in the PRC and to be consistent with the internal reporting portfolio reviewed by the Directors. The Group does not have a foreign exchange hedging policy, but the management will continue to closely monitor exchange rate fluctuations and will take appropriate measures to keep foreign exchange risk exposure to the minimum. The Group does not use any financial instruments for hedging purposes.

## **EMPLOYEES AND REMUNERATION POLICIES**

The number of full-time employees of the Group as at September 30, 2019 was 884 (808 as at March 31, 2019). Total staff costs of the Group for the six months ended September 30, 2019 amounted to RMB356.6 million (RMB256.2 million for the six months ended September 30, 2018). 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 employees are rewarded based on their performance.

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

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

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



by the financial and treasury manager of the Company, and shall, depending on the investment size, be approved by the financial controller or vice president (finance). Such short-term investments at FVPL amounted to approximately RMB1,109.7 million as at September 30, 2019 (equivalent to approximately 13.8% of the total assets of the Company), with an aggregate amount of not more than approximately RMB251.3 million, which was equivalent to 3.1% of the total assets of the Company, having been subscribed from any single financial institution. During the Reporting Period, (i) the Company has not disposed of any investment at FVPL, and the decrease in the total value of such short-term investments was mainly due to repurchases of part of the short-term investment products upon expiry during the Reporting Period by issuers in accordance with their relevant terms; (ii) the Company realised fair value gains of approximately RMB17.2 million on financial assets at FVPL as a result of its trading in the aforesaid short-term investments.

## **INTERIM DIVIDEND**

The Board has resolved that no interim dividend be declared for the six months ended September 30, 2019 (September 30, 2018: Nil).

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

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

In the opinion of the Board, throughout the six months ended September 30, 2019, the Company has complied with the code provisions (the “**Code Provisions**”) set out in the Corporate Governance Code under Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), except in respect of the following matter:

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) to regulate the dealings of the Directors in the Company’s securities. In response to specific enquiries by the Company, all Directors have confirmed that they have complied with the Model Code in their securities transactions throughout the six months ended September 30, 2019.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the six months ended September 30, 2019, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities, except that a trustee of the Share Award Scheme purchased a total of 1,903,200 shares of the Company on the market to satisfy the share awards granted to connected employees of the Company upon vesting.

## **REVIEW OF INTERIM RESULTS**

The Group’s interim results for the six months ended September 30, 2019 have not been audited, but have been reviewed by the audit committee of the Company and the independent auditor of the Company, Ernst & Young.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This announcement is published on the websites of the Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.irasia.com/listco/hk/alihealth](http://www.irasia.com/listco/hk/alihealth)). The interim report for the six months ended September 30, 2019 will be dispatched to shareholders of the Company and available on the above websites in due course.

By Order of the Board  
**ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED**  
**SHEN Difan**  
*Chief Executive Officer and Executive Director*

Hong Kong, November 26, 2019

*As at the date of this announcement, the Board comprises eight Directors, of whom (i) two are executive Directors, namely Mr. SHEN Difan and Mr. WANG Qiang; (ii) three are non-executive Directors, namely Mr. WU Yongming, Mr. WANG Lei and Mr. XU Hong; and (iii) three are independent non-executive Directors, namely Mr. LUO Tong, Mr. WONG King On, Samuel and Ms. HUANG Yi Fei (Vanessa).*

^ *For identification purpose only*