AliHealth
阿里健康

ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED
阿里健康信息技術有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00241)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2017

The board of directors (the "**Board**") 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, 2017 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.

FINANCIAL HIGHLIGHTS

- For the six months ended September 30, 2017, the Group reported revenue and gross profit of RMB889.7 million and RMB255.5 million, respectively, representing a marked year-on-year growth of 1,516.9% and 437.5%, respectively. Such strong growth in revenue and gross profit was mainly underpinned by the rapid growth of healthcare product sale during the current reporting period. Revenue from healthcare product sale for the current reporting period amounted to RMB786.2 million, while revenue from e-commerce platform services and other value-added services also experienced significant growth. During the corresponding period of the preceding year, the healthcare product sale and e-commerce platform services businesses had only just commenced operation and recorded less than one month of revenue.

- For the current reporting period, the Group's adjusted net loss[1] decreased to RMB34.4 million, a 30.2% reduction as compared to the corresponding period in 2016.

- As at the end of the current reporting period, more than 7,200 enterprises had signed up with the Group to join the Ma Shang Fang Xin* (碼上放心) tracking platform, and the number of pharmaceutical manufacturers which had signed up accounted for more than 80% of the total number of pharmaceutical manufacturers in China.

[1] Adjusted net loss is based on the loss for the current reporting period after deducting share-based compensation expenses.

KEY FINANCIAL INFORMATION

	For the six months ended September 30,		
	2017	2016	Change
	Unaudited	Unaudited	
	RMB'000	*RMB'000*	*%*
Revenue	**889,731**	55,027	1,516.9
— Healthcare product sale	**786,179**	1,580	49,658.2
— E-commerce platform services	**66,610**	3,074	2,066.9
— Tracking services	**9,437**	48,983	(80.7)
— Innovative healthcare related services and others	**27,505**	1,390	1,878.8
Gross profit	**255,488**	47,529	437.5
Gross profit margin	**28.7%**	86.4%	N/A
Loss for the period	**(92,178)**	(105,825)	(12.9)
Adjusted net loss	**(34,442)**	(49,337)	(30.2)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended September 30, 2017

	Notes	Six months ended September 30, 2017 Unaudited *RMB'000*	2016 Unaudited *RMB'000*
REVENUE	*3*	**889,731**	55,027
Cost of revenue		**(634,243)**	(7,498)
Gross profit		**255,488**	47,529
Operating expenses			
Fulfillment	*4*	**(146,850)**	(821)
Sales and marketing expenses		**(86,471)**	(49,566)
Administrative expenses		**(57,313)**	(51,543)
Product development expenses		**(61,377)**	(50,441)
Other income and gains	*5*	**17,244**	6,143
Finance cost		**(5,134)**	(2,055)
Other expenses		**(2,199)**	(11,075)
Share of profits or losses of:			
A joint venture	*6*	**3,017**	4,478
Associates	*7*	**(7,976)**	2,574
LOSS BEFORE TAX	*8*	**(91,571)**	(104,777)
Income tax expense	*9*	**(607)**	(1,048)
LOSS FOR THE PERIOD		**(92,178)**	(105,825)
Attributable to:			
Owners of the parent		**(90,911)**	(102,398)
Non-controlling interests		**(1,267)**	(3,427)
		(92,178)	(105,825)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			
— Basic and diluted	*10*	**RMB(1.07) cents**	RMB(1.25) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended September 30, 2017

	Six months ended September 30,	
	2017	2016
	Unaudited	Unaudited
	RMB'000	*RMB'000*
LOSS FOR THE PERIOD	**(92,178)**	(105,825)
Other comprehensive income/(loss) may be reclassified to profit or loss in subsequent periods:		
Translation from functional currency to presenting currency	**(20,861)**	31,463
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**(20,861)**	31,463
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(113,039)**	(74,362)
Attributable to:		
Owners of the parent	**(111,772)**	(70,935)
Non-controlling interests	**(1,267)**	(3,427)
	(113,039)	(74,362)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2017

	Notes	**September 30, 2017 Unaudited** *RMB'000*	March 31, 2017 Audited *RMB'000*
NON-CURRENT ASSETS			
Property and equipment		**7,026**	5,065
Goodwill		**19,123**	19,123
Investment in a joint venture		**45,661**	42,644
Investments in associates		**851,564**	524,801
Pledged deposit		**—**	222,848
Long-term receivables		**55,126**	54,304
Total non-current assets		**978,500**	868,785
CURRENT ASSETS			
Inventories		**273,461**	151,505
Trade receivables	*12*	**66,107**	38,501
Prepayments, deposits and other receivables		**79,262**	39,835
Financial assets at fair value through profit or loss		**94,800**	10,300
Restricted cash		**2,268**	914
Pledged deposit		**265,115**	—
Cash and cash equivalents		**109,350**	569,860
Total current assets		**890,363**	810,915
CURRENT LIABILITIES			
Interest-bearing bank borrowing		**200,000**	—
Trade payables	*13*	**190,565**	125,862
Other payables and accruals		**352,749**	189,462
Receipt in advance		**55,429**	38,148
Total current liabilities		**798,743**	353,472
NET CURRENT ASSETS		**91,620**	457,443
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,070,120**	1,326,228

	Notes	September 30, 2017 Unaudited *RMB'000*	March 31, 2017 Audited *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowing		**—**	200,000
Deferred tax liability		**6,951**	6,566
Total non-current liabilities		**6,951**	206,566
Net assets		**1,063,169**	1,119,662
EQUITY			
Equity attributable to owners of the parent			
Share capital	*14*	**82,781**	72,481
Treasury shares	*14*	**(5,191)**	(91)
Reserves		**1,044,989**	1,105,446
		1,122,579	1,177,836
Non-controlling interests		**(59,410)**	(58,174)
Total equity		**1,063,169**	1,119,662

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended September 30, 2017

		Attributable to owners of the parent											
	Notes	Share capital *RMB'000*	Share premium account *RMB'000*	Treasury shares *RMB'000*	Capital reserve *RMB'000*	Contributed surplus *RMB'000*	Exchange fluctuation reserve *RMB'000*	Employee share-based compensation reserve *RMB'000*	General reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At April 1, 2016 (audited)		72,305	1,863,621	—	33,979	77,335	20,860	37,472	13,468	(897,680)	1,221,360	(66,089)	1,155,271
Loss for the period		—	—	—	—	—	—	—	—	(102,398)	(102,398)	(3,427)	(105,825)
Other comprehensive loss for the period:													
Translation from functional currency to presenting currency		—	—	—	—	—	31,463	—	—	—	31,463	—	31,463
Total comprehensive loss for the period		—	—	—	—	—	31,463	—	—	(102,398)	(70,935)	(3,427)	(74,362)
Share-based compensation expenses	*15*	—	—	—	—	—	—	56,488	—	—	56,488	—	56,488
Exercise of share options		—	249	—	—	—	—	(79)	—	—	170	—	170
Vested awarded shares transferred to employees	*14*	47	23,706	—	—	—	—	(23,753)	—	—	—	—	—
Issue of shares	*14*	29	—	(29)	—	—	—	—	—	—	—	—	—
At September 30, 2016 (unaudited)		72,381	1,887,576	(29)	33,979	77,335	52,323	70,128	13,468	(1,000,078)	1,207,083	(69,516)	1,137,567

		Attributable to owners of the parent												
	Notes	Share capital *RMB'000*	Share premium account *RMB'000*	Treasury share *RMB'000*	Merger reserve *RMB'000*	Capital reserve *RMB'000*	Contributed surplus *RMB'000*	Exchange fluctuation reserve *RMB'000*	Employee share-based compensation reserve *RMB'000*	General reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At April 1, 2017 (audited)		**72,481**	**1,907,220^**	**(91)**	**—**	**25,037^**	**77,335^**	**83,410^**	**104,282^**	**13,468^**	**(1,105,306)^**	**1,177,836**	**(58,174)**	**1,119,662**
Loss for the period		—	—	—	—	—	—	—	—	—	(90,911)	(90,911)	(1,267)	(92,178)
Other comprehensive loss for the period:														
Translation from functional currency to presenting currency		—	—	—	—	—	—	(20,861)	—	—	—	(20,861)	—	(20,861)
Total comprehensive loss for the period		—	—	—	—	—	—	(20,861)	—	—	(90,911)	(111,772)	(1,267)	(113,039)
Issue of new shares for an acquisition under common control	*16(b)*	10,300	3,821,342	—	(3,828,605)	—	—	—	—	—	—	3,037	—	3,037
Purchase of shares by Share Award Scheme Trust	*14*	—	—	(7,790)	—	—	—	—	—	—	—	(7,790)	—	(7,790)
Share-based compensation expenses	*15*	—	—	—	—	—	—	—	57,736	—	—	57,736	—	57,736
Vested awarded shares transferred to employees	*14*	—	42,231	2,690	—	—	—	—	(44,921)	—	—	—	—	—
Transfer of share-based compensation reserve of options forfeited after vesting date		—	—	—	—	—	—	—	(4,918)	—	4,918	—	—	—
Deemed interest of an interest-free loan to a non-wholly owned subsidiary		—	—	—	—	(31)	—	—	—	—	—	(31)	31	—
Share of capital reserve of an associate		—	—	—	—	3,563	—	—	—	—	—	3,563	—	3,563
At September 30, 2017 (unaudited)		**82,781**	**5,770,793^**	**(5,191)**	**(3,828,605)^**	**28,569^**	**77,335^**	**62,549^**	**112,179^**	**13,468^**	**(1,191,299)^**	**1,122,579**	**(59,410)**	**1,063,169**

^ These reserve accounts comprise the consolidated reserves of RMB1,044,989,000 (March 31, 2017: RMB1,105,446,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended September 30, 2017

	Notes	Six months ended September 30, 2017 Unaudited RMB'000	2016 Unaudited RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(91,571)**	(104,777)
Adjustments for:			
Share of profit of a joint venture	*6*	**(3,017)**	(4,478)
Share of profits or losses of associates	*7*	**7,976**	(2,574)
Interest income	*5*	**(6,004)**	(5,900)
Fair value loss on financial assets at fair value through profit or loss	*8*	**500**	—
Gain on disposal of items of property and equipment	*5*	**(1)**	(17)
Finance cost		**5,134**	2,055
Depreciation	*8*	**1,985**	2,181
Impairment of trade receivables	*8*	**—**	1,340
Write-off of inventory	*8*	**57**	—
Foreign exchange difference, net		**(13,229)**	9,735
Share-based compensation expenses	*15*	**57,736**	56,488
		(40,434)	(45,947)
Increase in trade receivables		**(27,606)**	(7,428)
Decrease/(increase) in prepayments, deposits and other receivables		**(36,127)**	2,121
Increase in inventories		**(122,013)**	(5,040)
Increase in trade payables		**64,703**	4,684
(Decrease)/increase in other payables and accruals		**17,727**	(6,015)
Decrease in deferred revenue		**—**	(40,542)
(Decrease)/increase in receipt in advance		**17,281**	(1,605)
Exchange differences		**2,707**	(2,100)
Cash used in operations		**(123,762)**	(101,872)
Interest received		**2,340**	2,673
Dividend received from investment in an associate		**4,839**	—
PRC taxes paid		**(222)**	(269)
Net cash flows used in operating activities		**(116,805)**	(99,468)

	Notes	Six months ended September 30, **2017** **Unaudited** ***RMB'000***	2016 Unaudited *RMB'000*
Net cash flows used in operating activities		**(116,805)**	(99,468)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property and equipment		**(3,957)**	(461)
Purchase of financial assets at fair value through profit or loss		**(85,000)**	—
Proceeds from disposal of items of property and equipment		**10**	17
Decrease of non-pledged time deposits with original maturity of over three months when acquired		**—**	296,140
Increase in restricted cash		**—**	(346,865)
Increase in pledged deposits		**(45,881)**	—
Acquisition of subsidiaries		**—**	(19,675)
Capital injection in associates		**(185,588)**	(112,500)
Net cash flows used in investing activities		**(320,416)**	(183,344)
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of shares by Share Award Scheme Trust	*14*	**(7,790)**	—
Proceeds from exercise of options		**—**	170
Interest-bearing bank borrowing		**—**	99,873
Interest paid		**(5,162)**	—
Net cash flows generated from financing activities		**(12,952)**	100,043
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(450,173)**	(182,769)
Cash and cash equivalents at beginning of period		**569,860**	714,418
Effect of foreign exchange rate changes		**(10,337)**	23,836
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**109,350**	555,485

	Notes	Six months ended September 30, 2017 Unaudited *RMB'000*	2016 Unaudited *RMB'000*
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**61,338**	62,986
Non-pledged deposits with original maturity of three months or less when acquired		**48,012**	492,499
Non-pledged time deposits with original maturity over three months and within twelve months when acquired		**—**	10,000
Cash and cash equivalents as stated in the condensed consolidated statement of financial position		**109,350**	565,485
Non-pledged time deposits with original maturity over three months and within twelve months when acquired		**—**	(10,000)
CASH AND CASH EQUIVALENTS AS STATED IN THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS		**109,350**	555,485

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2017

1 GENERAL INFORMATION

Alibaba Health Information Technology Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The principal place of business of the Company is located at Greenland Center, Beijing, the People's Republic of China ("PRC").

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") are primarily engaged in healthcare product sales and services, tracking services, and intelligent medicine and healthcare management services.

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

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended September 30, 2017 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, 2017.

Certain comparative amounts in interim condensed consolidated financial statement have also been reclassified to conform with current period's presentation.

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

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

2.2 Significant accounting policies, new standards and amendments adopted by the Group

The accounting policies adopted in, and basis of, preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements of the Group for the year ended March 31, 2017, except in relation to the following accounting policies:

Revenue recognition of e-commerce platform services

Given that the Group has started providing Blue Cap Health Food^ e-commerce platform maintenance related software services to merchants on Tmall.com, the Group earns commissions from merchants when transactions are completed and settled on Tmall.com. Such commissions are determined as a percentage based on the value of Blue Cap Health Food being sold by the merchants. Revenue related to commissions is recognized in the condensed consolidated statement of profit or loss at the time when the underlying transaction is completed.

Adoption of merger accounting

A business combination under common control was effected during the current interim period. The net assets of the combining entities are consolidated using the existing book values from the controlling party's perspective. No adjustments are made to reflect fair values, or to recognise any new assets or liabilities as a result of the business combination under common control and no amount is recognised in respect of goodwill. The interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows of the Group include the results and cash flows of the acquired business from the date when the Group obtains control of the acquired business. No restatement made for periods prior to the business combination under common control was effected during the current period.

The following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's interim condensed consolidated financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Annual Improvements 2014–2016 Cycle	Amendments to a number of HKFRSs

The adoption of the above HKFRSs has had no significant impact on the Group's interim condensed consolidated financial statements.

^ Blue Cap Health Food represents food products that are registered or filed, from time to time, with China Food and Drug Administration ("CFDA") as "health food" in accordance with the Health Food Registration and Filing Administrative Rules (《保健食品註冊與備案管理辦法》) and the Food Safety Law of the PRC (《中華人民共和國食品安全法》) (as such laws and regulations may be amended from time to time) and have obtained a health food ("Blue Cap") label with a unique registration or filing tracking number from the CFDA.

3 REVENUE AND SEGMENT INFORMATION

The Group is primarily engaged in the healthcare product sales online and offline, e-commerce platform services, which includes providing technology maintenance service to Blue Cap Health Food merchants on Tmall.com and providing outsourced and value-added services to Zhejiang Tmall Network Co., Ltd.* (浙江天貓網絡有限公司) and Zhejiang Tmall Technology Co., Ltd.* (浙江天貓技術有限公司, together with Zhejiang Tmall Network Co., Ltd.* hereinafter referred to as "Tmall Entities"), tracking services principally for the drug industry in the PRC, construction of a medical services network and other innovation healthcare related services. Given that the chief operating decision maker of the Company considers that the Group's business is operated and managed as a single segment of developing and distribution of pharmaceutical and health food related business, accordingly, no segment information is presented.

An analysis of revenue is as follows:

	Six months ended September 30,	
	2017	2016
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Healthcare product sales	**786,179**	1,580
E-commerce platform services	**66,610**	3,074
Tracking services	**9,437**	48,983
Innovative healthcare related services and others	**27,505**	1,390
Total	**889,731**	55,027

4 FULFILLMENT

Fulfillment includes warehousing, shipping, operating and customer services, which are associated with the Group's B2C online pharmacy business for over-the-counter drugs and other health related products.

5 OTHER INCOME AND GAINS

	Six months ended September 30,	
	2017	2016
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Interest income	**6,004**	5,900
Gain on disposal of items of property and equipment	**1**	17
Foreign exchange difference, net	**10,980**	—
Others	**259**	226
Total	**17,244**	6,143

6 SHARE OF PROFIT OF A JOINT VENTURE

The Group recorded share of profit from a 49%-owned joint venture, Beijing Honglian 95 Information Industries Company Limited*（北京鴻聯九五信息產業有限公司）("HL95") for the six months ended September 30, 2017 and September 30, 2016.

7 SHARE OF PROFITS OR LOSSES OF ASSOCIATES

The Group recorded share of profits or losses from existing associates for the six months ended September 30, 2017 and share of profits or losses from newly acquired associates for the period from acquisition date to September 30, 2017.

8 LOSS BEFORE TAX

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

	Six months ended September 30,	
	2017	2016
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Cost of goods sold*	**610,683**	—
Cost of services provided* (excluding employee benefit expense and share-based compensation expenses)	**18,815**	6,661
Depreciation	**1,985**	2,181
Minimum lease payments under operating leases for office buildings	**6,107**	6,467
Fair value loss on financial asset at fair value through profit or loss#	**500**	—
Impairment of trade receivables#	**—**	1,340
Write-off of inventory#	**57**	—
Foreign exchange differences, net	**(10,980)**	9,735
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**89,395**	54,665
Pension scheme contributions	**6,710**	4,461
Share-based compensation expense *(note 15)*	**57,736**	56,488
	153,841	115,614

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.

9 INCOME TAX EXPENSE

	Six months ended September 30,	
	2017	2016
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Current	**222**	269
Deferred	**385**	779
Total tax charge for the periods	**607**	1,048

Deferred income tax represents withholding tax on the distributable profits of the Group's associates and joint venture.

No provision for Hong Kong profits tax has been made for the six months ended September 30, 2017 and September 30, 2016 as the Group did not generate any assessable profits arising in Hong Kong.

In general, the PRC subsidiaries of the Company are subject to the PRC corporate income tax rate of 25% except for two PRC subsidiaries which are entitled to a preferential tax rate of 15%.

10 DIVIDENDS

No dividend is proposed by the Board for the six months ended September 30, 2017 (six months ended September 30, 2016: Nil).

11 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 8,487,287,000 in issue during the period (for the six months ended September 30, 2016: 8,174,602,000).

No adjustment has been made to the basic loss per share amounts presented for the six months ended September 30, 2017 and September 30, 2016 in respect of a 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.

12 TRADE RECEIVABLES

	September 30, 2017 Unaudited *RMB'000*	March 31, 2017 Audited *RMB'000*
Trade receivables	**91,510**	63,904
Impairment	**(25,403)**	(25,403)
	66,107	38,501

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

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

	September 30, 2017 Unaudited *RMB'000*	March 31, 2017 Audited *RMB'000*
Within 3 months	**59,826**	38,501
3 to 12 months	**6,281**	—
	66,107	38,501

13 TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	September 30, 2017 Unaudited *RMB'000*	March 31, 2017 Audited *RMB'000*
Within 3 months	**188,828**	125,079
3 to 12 months	**1,680**	4
Over 12 months	**57**	779
	190,565	125,862

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

14 SHARE CAPITAL

Shares

	September 30, 2017 Unaudited *RMB'000*	March 31, 2017 Audited *RMB'000*
Authorised:		
15,000,000,000 (March 31, 2017: 10,000,000,000) ordinary shares of HK$0.01 each	**128,040**	85,360
Issued and fully paid:		
9,380,236,918 (March 31, 2017: 8,192,736,918) ordinary shares of HK$0.01 each	**82,781**	72,481

	Number of shares in issue	**Share capital** *RMB'000*	**Treasury shares** *RMB'000*
Ordinary shares of HK$0.01 each			
— At April 1, 2016 (audited)	8,172,644,639	72,305	—
— Exercise of share options (unaudited) *(note a)*	38,000	—	—
— Vested awarded shares transferred to employees (unaudited) *(note b)*	5,465,954	47	—
— Issue of shares (unaudited) *(note c)*	3,351,915	29	(29)
— At September 30, 2016 (unaudited)	8,181,500,508	72,381	(29)
— At April 1, 2017 (audited)	8,192,736,918	72,481	(91)
— Purchase of shares by Share Award Scheme Trust (unaudited) *(note d)*	—	—	(7,790)
— Vested awarded shares transferred to employees (unaudited) *(note e)*	—	—	2,690
— Issue of shares (unaudited) *(note f)*	1,187,500,000	10,300	—
— At September 30, 2017 (unaudited)	9,380,236,918	82,781	(5,191)

Note a: On June 10, 2016 and July 19, 2016, 38,000 shares of HK$0.01 each were issued at the price of HK$5.184 per share upon exercise of share options by the option holders.

Note b: On April 21, 2016 and July 19, 2016, 5,465,954 shares of HK$0.01 each were issued and transferred to employees upon vesting of restricted share units.

Note c: On August 24, 2016, 3,351,915 shares of HK$0.01 each were issued for restricted share units to be vested on October 10, 2016.

Note d: In June 2017 and September 2017, a total of 2,433,300 ordinary shares were purchased from the market at a total consideration of HK$9,174,000 (approximately to RMB7,790,000) for restricted share units vested on July 31 and October 10, 2017.

Note e: On April 30, 2017 and July 31, 2017, a total of 10,319,210 treasury shares were transferred to owners of vested restricted share units.

Note f: On June 30, 2017, 1,187.5 million shares of HK$0.01 each were issued to a related company for the business combination under common control. Please refer to note 16(b) for further details.

15 SHARE-BASED COMPENSATION COSTS

Share award scheme

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

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

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

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

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

	Weighted average exercise price of options	**Number of options**	**Number of RSUs**
	HK$ per share	*'000*	*'000*
Outstanding at April 1, 2016 (audited)	5.21	32,185	19,344
Granted during the period	5.51	27,171	31,839
Forfeited during the period	5.26	(4,755)	(4,658)
Exercised or issued during the period	5.18	(38)	(5,466)
Outstanding at September 30, 2016 (unaudited)	5.35	54,563	41,059
Average fair value per option/RSU at September 30, 2016 (unaudited)		RMB2.37	RMB5.05
Outstanding at April 1, 2017 (audited)	**5.12**	**58,701**	**44,914**
Granted during the period	**3.73**	**18,320**	**41,774**
Forfeited during the period	**4.95**	**(8,583)**	**(9,013)**
Issued during the period	**—**	**—**	**(10,319)**
Outstanding at September 30, 2017 (unaudited)	**4.77**	**68,438**	**67,356**
Average fair value per option/RSU at September 30, 2017 (unaudited)		**RMB2.09**	**RMB3.63**

For options outstanding at the end of the current reporting period, the exercise prices range from HK$3.610 to HK$5.558. The exercise period of the options is from the vesting date to 10 years from the grant date. As at September 30, 2017, the remaining vesting periods for the options and RSUs granted range from 1 month to 46 months.

The fair value of options granted during the six months ended September 30, 2017 and September 30, 2016 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Six months ended September 30,	
	2017	2016
	Unaudited	Unaudited
Fair value of the Company's shares at the grant date	**HK$3.57~HK$3.80**	HK$5.32~HK$5.39
Expected volatility *(%)*	**65**	70
Expected dividend *(%)*	**0.00**	0.00
Exercise multiple	**2.2**	2.2~2.8
Exercise price	**HK$3.686~HK$3.902**	HK$5.320~HK$5.558
Risk-free interest rate *(%)*	**1.15**	0.96~1.31
Forfeiture rate *(%)*	**20~30**	20~30

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

The fair value of the RSUs granted during the six months ended September 30, 2017 and September 30, 2016 was determined based on the market value of the Company's shares at the respective grant dates.

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

	Six months ended September 30,	
	2017	2016
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Cost of revenue	**1,650**	264
Sales and marketing expense	**12,657**	19,804
Administrative expenses	**24,362**	17,913
Product development expenses	**16,152**	18,438
Fulfillment	**2,915**	69
Total	**57,736**	56,488

At the end of the current reporting period, the Company had 68,437,952 options and 67,356,045 RSUs outstanding under the Share Award Scheme. The exercise in full of the outstanding options and RSUs would, under the present capital structure of the Company, result in the issue of 124,846,577 additional ordinary shares of the Company and additional share capital of HK$1,248,466 (equivalent to approximately RMB1,065,698) (before issue expenses), the purchase of 8,531,700 existing shares from the market and the release of 2,415,720 treasury shares. The purchase of 8,531,700 existing shares relate to RSUs to be vested, which are held by connected persons of the Group.

Subsequent to the end of the current reporting period, on October 11, 2017, the Company granted 11,739,000 options and 10,477,000 RSUs under the Share Award Scheme to eligible employees in respective of their services to the Group in the forthcoming years. These options have an exercise price of HK$4.44 per option and vesting periods ranging from October 10, 2018 to October 10, 2021. The RSUs shall vest within four years from October 10, 2017. The price of the Company's shares at the date of grant was HK$4.40 per share.

16 BUSINESS COMBINATIONS

(a) Business Combinations not under Common Control

On August 9, 2016, the Group acquired 100% equity interest in Guangzhou Wu Qian Nian Pharmaceutical Chain Co., Ltd.* (廣州五千年醫藥連鎖有限公司) ("Wuqiannian") from certain third parties. The purchase consideration for Wuqiannian was in the form of cash amounting to RMB16,800,000. Total identifiable net assets at fair value as at acquisition date was approximately RMB3,193,000 and goodwill on acquisition was RMB13,607,000.

On September 23, 2016, the Group acquired 100% equity interest in Hangzhou Lihe Pharmaceutical Limited* (杭州禮和醫藥有限公司) ("Lihe") from a third party. The purchase consideration for Lihe of RMB7,850,000 was in the form of cash, and fully paid on September 19, 2016. The fair values of total identifiable net assets of Lihe as at the date of acquisition was approximately RMB2,334,000 and goodwill on acquisition was RMB5,516,000.

(b) Business Combination under Common Control

The Group adopts merger accounting for common control combinations in respect of the following transaction which occurred during the six months ended September 30, 2017:

On June 30, 2017, the Group acquired 100% equity interest in Ali JK Nutritional Products Limited and its subsidiaries, Ali JK Nutritional Products HK Limited and Hangzhou Hengping Information Technology Co., Ltd.* (杭州衡平信息科技有限公司), (collectively referred to as the "Ali JK Nutritional Products Group") from Ali JK Nutritional Products Holding Limited, or the "Vendor", a direct wholly-owned subsidiary of Alibaba Holding. As the Company and Ali JK Nutritional Products Group are under the common control of Alibaba Holding before and after the acquisition, the business combination has been accounted for in the interim condensed consolidated financial statements of the Group as a business combination under common control using merger accounting.

Ali JK Nutritional Products Group was established by the Vendor to hold the business (the "Target Business") which comprises: (i) all merchant relationships with the target merchants for the promotion and distribution of Blue Cap Health Food on Tmall.com; and (ii) certain relevant marketing and operations personnel managing the relationships with the target merchants. The Target Business earns software service fees from merchants when sales of Blue Cap Health Food on Tmall.com are completed.

The consideration amounting to HK$3,800 million was satisfied by the Company issuing 1,187.5 million shares on June 30, 2017 to the Vendor. The market price of ordinary shares as at June 30, 2017 was HK$3.72, representing a fair value of HK$4,417.5 million (approximately to RMB3,831.6 million). The difference between the fair value of consideration shares issued amounting to approximately RMB3,831.6 million and the carrying amount amounting to approximately RMB3.0 million of the net asset of Ali JK Nutrition Products Group at acquisition date is recognised in merger reserve amounting to RMB3,828.6 million.

Since the acquisition, Ali JK Nutritional Products Group contributed RMB16,949,000 to the Group's revenue and loss of RMB1,075,000 to the Group's consolidated loss for the six months ended September 30, 2017.

17 OPERATING LEASE ARRANGEMENTS

At the end of the current reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	September 30, 2017 Unaudited *RMB'000*	March 31, 2017 Audited *RMB'000*
Within one year	**15,542**	14,312
In the second to fifth year inclusive	**5,171**	11,404
Over five years	**—**	80
	20,713	25,796

The Group leases certain of its offices buildings and warehouse under operating lease arrangements, which are negotiated for terms ranging from 6 months to 63 months.

18 RELATED PARTY TRANSACTIONS

(I) Transactions with related parties:

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the current reporting period:

	Notes	Six months ended September 30, 2017 Unaudited *RMB'000*	2016 Unaudited *RMB'000*
Services received from related parties:			
Cloud computing services received from Alibaba Cloud	*(i)*	**(3,046)**	(3,079)
Share based compensation paid to connected persons	*(ii)*	**(15,323)**	(10,764)
Services received from a joint venture	*(iii)*	**(4,825)**	(929)
Internet information and other related service received from relevant entities of Alibaba Group	*(iv)*	**(26,474)**	(25)
Shared services received from Alibaba Group	*(v)*	**(9,295)**	(1,732)
Marketing services received from a subsidiary of Alibaba Holding	*(vi)*	**(1,840)**	—
Logistics and warehouse services received from an associate of Perfect Advance	*(vii)*	**(10,314)**	—
Payment services received from Alipay	*(viii)*	**(1,932)**	N/A
Technical services received from Tmall entities regarding Blue Cap Health Food	*(ix)*	**(7,933)**	—
Promotion services purchased from an associate of Alibaba Group	*(x)*	**—**	(500)
Services provided to related parties:			
Incentive fee received from a subsidiary of Alibaba Holding	*(vi)*	**—**	—
Outsourced and value-added services provided to Tmall Entities	*(xi)*	**49,594**	3,074
Tracking related services provided to a subsidiary of Alibaba Holding	*(xii)*	**3,080**	—
Others:			
Interest income from a joint venture	*(xiii)*	**822**	—

Notes:

(i) On May 30, 2016, CITIC 21CN Technology and Alibaba Cloud Computing Ltd.* (阿里雲計算有限公司) ("Alibaba Cloud"), a subsidiary of Alibaba Group, entered into the Second Renewed Cloud Computing Service Agreement for a term of one year that runs retrospectively from April 1, 2016 to March 31, 2017, pursuant to which Alibaba Cloud, provided certain cloud computing services to the Group. On March 13, 2017, Alibaba Health Technology (China) Co., Ltd.* (阿里健康科技(中國)有限公司), an indirectly wholly-owned subsidiary of the Company, and Alibaba Cloud entered into the Third Renewed Cloud Computing Service Agreement for a term of one year, commencing from April 1, 2017 to March 31, 2018. Further details of the transactions were set out in the announcement of the Company dated March 13, 2017.

(ii) On July 29, 2016, the Company granted a total of 2,509,000 options, with an exercise price of HK$5.558 per share, and granted 1,065,000 RSUs to Mr. Wang Lei, the chief executive officer of the Company and certain employees of the Group, each of them either being a director of a subsidiary or certain subsidiaries of the Company, under the Share Award Scheme. Further details of the transaction were set out in the announcement of the Company dated July 29, 2016.

On June 14, 2017, the Company granted a total of 6,415,000 RSUs to Mr. Wang Lei and certain directors of a subsidiary or certain subsidiaries of the Company (other than insignificant subsidiaries as defined under the Listing Rules) under the Share Award Scheme.

(iii) On April 3, 2015, April 1, 2016, November 7, 2016, September 1, 2016, April 3, 2017, and September 1, 2017, the Group entered into certain promotion service agreements and call center outsourcing service agreements with HL95 and one of its subsidiaries, pursuant to which HL95 will provide certain promotion service and call center services to the Group. The terms of the agreements are approximately one year commencing on the agreement date.

(iv) On July 12, 2016, Alibaba Health Pharmaceutical Chain Co., Ltd.* (阿里健康大藥房醫藥連鎖有限公司) entered into a Tmall services agreement with the Tmall Entities, pursuant to which the Tmall Entities will provide internet information and other related services to the Group. The term of the Tmall services agreement was from July 12, 2016 to December 31, 2016. Further details of the transaction were set out in the announcement of the Company dated August 16, 2016. On December 31, 2016, the Company, Alibaba.com China Limited* (阿里巴巴網絡中國有限公司), and Taobao China Holding Limited entered into a service framework agreement, pursuant to which relevant entities[#] of Alibaba Group will provide to the Group internet information related software technical services and other related services. The contract commenced from March 11, 2017, being the date following approval at the special general meeting on March 10, 2017 and will end on March 31, 2018.

Relevant entities refers to Alibaba (China) Technology Co., Ltd.* (阿里巴巴(中國)網絡技術有限公司), Hangzhou Alibaba Advertising Co., Ltd.* (杭州阿里巴巴廣告有限公司), Taobao China Holding Limited, the Tmall Entities and their respective affiliates, collectively.

(v) On July 3, 2017, the Company entered into the Shared Services Agreement with Alibaba Holding, pursuant to which Alibaba Holding shall procure the Alibaba Service Providers^ to provide to the Group the shared services for a term of one year with retrospective effect from April 1, 2017 to March 31, 2018.

^ Alibaba Service Providers refers to Alibaba Holding, persons controlled by it and persons under the common control of Alibaba Holding, and any other persons designated by Alibaba Holding.

(vi) On August 4, 2016, Hangzhou Alimama Software Services Co., Ltd.* (杭州阿里媽媽軟件服務有限公司) ("Alimama"), a subsidiary of Alibaba Holding, and Alibaba Health Technology (China) Co., Ltd.* (阿里健康科技(中國)有限公司), an indirectly wholly-owned subsidiary of the Company, entered into an agency agreement to provide marketing services to Alibaba Health Technology (China) Co., Ltd.* (阿里健康科技(中國)有限公司) and its contracted clients for a term of nine months from July 1, 2016 to March 31, 2017. As the marketing agent, Alibaba Health Technology (China) Co., Ltd.* (阿里健康科技(中國)有限公司) would be entitled to receive certain incentive fees. Further details of the transaction were set out in the announcement of the Company dated January 6, 2017. On June 28, 2017, Alibaba Health (Hong Kong) Technology Company Limited, which holds 100% shares of Alibaba Health Technology (China) Co., Ltd.* (阿里健康科技(中國)有限公司), and Alimama entered into the Renewed Agency Agreement for a term of one year, which runs retrospectively from April 1, 2017 to March 31, 2018. Further details of the transaction were set out in the announcement of the Company dated June 28, 2017.

(vii) On September 20, 2016, Zhejiang Cainiao Supply Chain Management Co., Ltd.* (浙江菜鳥供應鏈管理有限公司) ("Cainiao"), an associate of Perfect Advance, and Alibaba Health (Hong Kong) Technology Company Limited, a wholly-owned subsidiary of the Company, entered into a Service Agreement, pursuant to which Cainiao will provide bonded warehouse services, customs clearance services and distribution services. The term of the Service Agreement was one year commencing on April 1, 2016 to March 31, 2017. On June 28, 2017, the Group and Cainiao entered into the Logistics Services Framework Agreement for a term of one year, commencing from April 1, 2017 to March 31, 2018. Further details of the transaction were set out in the announcement of the Company dated June 28, 2017.

(viii) On September 20, 2017, the Company (for itself and on behalf of its subsidiaries) entered into the Payment Service Framework Agreement with Alipay.com Co., Ltd.* (支付寶(中國)網絡技術有限公司) ("Alipay"), a wholly-owned subsidiary of Ant Small and Micro Financial Services Group Co., Ltd.* (浙江螞蟻小微金融服務集團股份有限公司), a company incorporated in the PRC with limited liability, which together with its subsidiaries have been deemed by the Stock Exchange as connected persons of the Company on July 10, 2017, pursuant to which Alipay will provide payment services and the Group will pay service fees. The term of the Payment Service Framework Agreement is from July 10, 2017 to March 31, 2018. For the period from July 10, 2017 to September 30, 2017, a service fee of RMB1,932,000 was charged by Alipay to the Group.

(ix) On May 18, 2017, a subsidiary of the Company entered into the Framework Technical Service Agreement with the Tmall Entities, pursuant to which the Tmall Entities will continue to provide technical support, internet information services and secondary domain names and other services for the operation of the Target Business as described in note 16(b) on Tmall.com. Tmall charged service fee of 50% of total software service fees received by the Target Business from the relevant merchants on Tmall.com. The Framework Technical Service Agreement was approved by the independent shareholders at special general meeting, and the term of the Framework Technical Service Agreement commenced on the day following completion of business acquisition under common control as described in note 16(b) and will end on March 31, 2020. For the six months ended September 30, 2017, a service fee of RMB7,933,000 was charged by the Tmall Entities to the Company. As at September 30, 2017, service fee payable to the Tmall Entities included in the Group's account payable amounted to RMB7,260,000.

(x) The purchase from an associate of Alibaba Group was made according to price and conditions offered to its major customers.

(xi) On August 24, 2016, Alibaba Health Technology (China) Co., Ltd.* (阿里健康科技(中國)有限公司), an indirectly wholly-owned subsidiary of the Company, and the Tmall Entities, members of Alibaba Group, entered into a services agreement, pursuant to which the Group agreed to provide certain outsourced and value-added services in accordance with the terms and conditions of the services agreement. The Tmall Entities shall pay the Group a service fee amounting to 21.5% of the fees paid by the merchants to the relevant Tmall Entities in respect of the value of the completed sales of products or services under certain categories on Tmall. The transaction was approved by the Company's independent shareholders at a special general meeting. The term of the services agreement was from September 13, 2016 to March 31, 2017. On March 10, 2017, Alibaba Health Technology (China) Co., Ltd.* (阿里健康科技(中國)有限公司), and the Tmall Entities renewed the service agreement for a term of one year, commencing from April 1, 2017 to March 31, 2018. Further details of the transaction were set out in the announcement of the Company dated August 24, 2016 and March 10, 2017.

(xii) On September 26, 2017, Alibaba Health Technology (China) Co., Ltd.* (阿里健康科技(中國)有限公司), an indirect wholly-owned subsidiary of the Company, entered into the Tracking Service Agreement with Taobao China Holding Limited, an indirect wholly-owned subsidiary of Alibaba Holding, pursuant to which Alibaba Health Technology (China) Co., Ltd.* (阿里健康科技(中國)有限公司) shall provide development, maintenance and operation service of tracking information system to Taobao China Holding Limited for a term commencing on September 26, 2017 and ending on August 31, 2018.

(xiii) On January 1, 2017, HL95 entered into a loan agreement with Alibaba Health (Hong Kong) Technology Company Limited, a wholly-owned subsidiary of the Company, pursuant to which Alibaba Health (Hong Kong) Technology Company Limited agreed to provide a loan of RMB53,900,000 to HL95 for the three years ending December 31, 2019, which is unsecured and bears interest at a rate of 3% per annum.

The related party transactions (or certain aspects of such transactions) detailed in items (i), (ii), (iv) to (ix), (xi) and (xii) above for the current period also constitute non-exempt continuing connected transactions or connected transactions as defined in Chapter 14A of the Listing Rules.

(II) Outstanding balances with related parties

In addition to the outstanding balances detailed elsewhere in these financial statements, the balance with related parties as at September 30, 2017 and March 31, 2017 are listed below:

	September 30, 2017	March 31, 2017
	Unaudited	Audited
	RMB'000	*RMB'000*
(1) Amount due from related parties:		
Subsidiaries of Alibaba Holdings	**27,270**	26,135
Joint ventures	**55,126**	54,304
	82,396	80,439
(2) Amount due to related parties:		
Subsidiaries of Alibaba Holdings	**29,807**	5,810
Associate[&]	**105,555**	105,555
Joint ventures	**3,258**	4,627
	138,620	115,992

[&] The balance represented unpaid capital investment due to an associate of the Group.

(III) Compensation of key management personnel of the Group

	Six months ended September 30,	
	2017	2016
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Short term employee benefits	**5,314**	2,765
Share-based compensation expenses	**14,487**	10,764
Pension scheme contributions	**101**	94
Total compensation paid to key management personnel	**19,902**	13,623

19 SUBSEQUENT EVENTS

On October 4, 2017, the Company and Alibaba Holding entered into a facility agreement, pursuant to which Alibaba Holding agreed to on normal commercial terms grant an unsecured revolving credit facility of USD90,000,000 within one year. The loan shall be repaid before October 4, 2018. The interest rate was three months London Interbank Offered Rate plus a margin of 1.8% per annum.

On October 9, 2017, the Company withdrew under the facility agreement an amount of USD12,000,000 (approximately to RMB80,000,400).

20 APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors of the Company on November 15, 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

China's economy has continued to operate within a reasonable range in 2017 trending towards stabilized and positive growth, with a year-on-year growth in gross domestic product (GDP) of 6.9% for the first half of the year. The further integration of the Internet, big data and artificial intelligence (AI) with the physical economy has provided a new impetus to drive economic development and promote optimization and upgrade of traditional industries in order to better satisfy the people's demands for a higher quality of life.

"Healthy China (健康中國)" is a key strategy for the next stage of China's development. The Chinese government has been improving its national health policies and encouraging the private sector to provide all-around health services to the population through all life stages. As the reform of the pharmaceutical and healthcare system in China continues, the national guidelines for the pharmaceutical and healthcare industries, the policy framework for the general medical and healthcare system and the direction of industry development have become clearer, and the favorable policies have created a conducive environment for the Chinese pharmaceutical sector to thrive. In 2017, the government promulgated a series of policies concerning drug distribution to speed up the implementation of the Two-invoice System* (兩票制) for drug procurement and sale, encourage the transformation and upgrade of drug circulation enterprises, promote "Internet+ drug circulation" and push ahead the reform and improvement of the supply security mechanism for drugs in short supply. Various ministries and commissions, including the National Health and Family Planning Commission (the "**NHFPC**"), also promulgated a number of healthcare policies addressing two key issues: intensifying the reform of public hospitals and encouraging private investment in the healthcare sector. The former issue is centred on separating drug dispensation from drug prescription, tiered diagnosis and treatment and the establishment of the medical treatment partnership system, while the latter pertains to developing third-party healthcare services, allowing licensed doctors to practice in multiple medical institutions and relaxing restrictions on the establishment of medical clinics. In the second half of 2017, with the aim of revitalizing healthcare investment, the NHFPC has intensified reform efforts by canceling or simplifying the pre-approval process and strengthening regulation during and after investment. Changes in the regulations governing market access will continue to invigorate the development of the healthcare industry.

China's pharmaceutical market has been flourishing in a healthy and stable manner, driven by growth in GDP, greater spending power, the aging population, urbanization and upgrade of consumption structure. According to the statistics published in the Annual Report on China's Pharmaceutical Distribution Industry, the size of China's pharmaceutical retail market was RMB367.9 billion in 2016, up 9.5% from that in 2015, and the year-on-year growth rate was 0.9 percentage point higher than that of the previous year. Such growth considerably outperformed the GDP growth rate of 6.7%. As the healthcare reform, which focuses on separating drug dispensation from drug prescription, continues to proceed, more and more hospital prescriptions are being fulfilled by third-parties, which offers enormous opportunities for the pharmaceutical retail sector. With the widening imbalance between the growing demand for medical and healthcare services and the limited supply of medical and healthcare resources, as well as the rising medical and healthcare spending of the population and the government, the application of digital technologies (e.g. digital healthcare products, big data, remote medical treatment and AI) in the medical field presents new ways to improve diagnosis and treatment efficiency, facilitate personal health management and help prevent and diagnose disease at an earlier stage, with the goal of saving pharmaceutical resources and costs. Despite the many challenges in terms of technological innovation, data security and business model reinvention, many players have also spotted, and are gearing themselves up to leverage upon, the huge market opportunities.

BUSINESS REVIEW

As Alibaba Group's healthcare flagship, the Group, whose mission is to "make good health achievable at the fingertips", has been strengthening the foundation of its pharmaceutical and healthcare businesses and actively planning for its future. With its 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", the Group has been striving to expand its healthcare product sale and e-commerce platform services businesses, provide product tracking platforms and explore the development of intelligent medicine and personal health management services, while actively establishing a foothold in the fields of medical and healthcare big data and AI.

- **Healthcare product sale and services**

  The Group has been actively utilizing Internet technologies to build a medical and healthcare product and service supply system that covers the whole industry chain and every supply channel. Capitalizing on its 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 companies (e.g. pharmaceutical retail chains, Tmall Supermarket* (天貓超市), LST* (零售通) and Hema Supermarket* (盒馬鮮生)) to facilitate product circulation along the whole chain and to offer quality products to downstream players 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 satisfying consumer needs and exploring and creating new demand. During the current reporting period, the Group established good relationships with many pharmaceutical, nutritional health and healthcare supplement manufacturers, as well as leading pharmaceutical distributors in China, who are our important business partners.

  At the same time, the Group also offers one-stop health solutions encompassing a wide range of products, content and convenient services revolving around hot consumer groups and scenarios which derive consumer demand. Such comprehensive solutions that integrate both online and offline functions allow manufacturers to deliver a comprehensive and high quality healthcare experience to consumers.

  Healthcare product sale

  The Group's total revenue from healthcare product sale for the current reporting period amounted to RMB786.2 million. In particular, online sales from our self-operated AliHealth Pharmacy* (阿里健康大藥房) and AliHealth overseas flagship stores showed impressive growth, spurred on by the Group's operational and brand strengths as well as its business team's effective execution. There were also significant improvements in the performance and capability of our warehousing, logistics, customer service and other supporting systems and services, which facilitated better quality control over products and services as well as a deeper understanding of the specific demands of different consumer groups.

e-Commerce platform services

During the current reporting period, the Group continued to provide outsourced and value-added services, including merchant business development, customer support and technical support for certain pharmaceutical categories (including over-the-counter drugs, medical devices, contact lenses, family planning products, and medical and healthcare services) on the Tmall platform. The continued strong growth of the Tmall e-commerce platform for pharmaceutical-related categories resulted in stable and fast growth of service income of the Group. During the current reporting period, the Group also acquired the health food category e-commerce platform services business from Alibaba Group. As Chinese disposable income has increased, so has healthcare awareness, even though the penetration rate of, and per capita spending on, healthcare products in China remain far lower than those of countries such as the United States and Japan. As the Chinese healthcare product market continues to become more compliant, the market has a promising future with enormous potential. Total revenue from e-commerce platform services comprising these two operations amounted to RMB66.6 million for the current reporting period.

Future prospects

Despite the issues facing the Chinese pharmaceutical and healthcare market, there is enormous room for development. To mitigate the problems of high dispersion of distributors and an excessively long supply chain of pharmaceutical and healthcare products, the Group will continue to work on enhancing the transparency and efficiency of the pharmaceutical and healthcare product supply chain through the use of the Internet and developing a more efficient drug distribution network for the benefit of market participants and consumers.

With regard to the problems encountered by consumers when they procure medical and healthcare products and services, the Group will continue its efforts to build the best platform with the best services for merchants and consumers and through the use of technology and business model innovation that will enable comprehensive and personalized interfacing with users with better quality control and user experience.

- **Intelligent medicine and health management services**

  The Group has been actively cooperating with governments, hospitals, research institutes, colleges and other third-party organizations to explore the Internet+ healthcare intelligent medicine model, which covers areas such as medical research platforms, immersion training bases for practitioners, clinical decision support systems, cloud-based remote imaging platforms, Internet medical associations and solutions for blockchain data security. By integrating online and offline medical data and capitalizing on its strong cloud computing and healthcare big data mining and analytical capability, the Group has established an AI medical system to explore the application of AI engines. During the current reporting period, the Group launched its AI medical system "Doctor You", and made considerable progress in the development of intelligence engines in areas such as image examination and chronic disease screening.

  The Group signed agreements with each of The First Affiliated Hospital of Medical School of Zhejiang University, The Second Affiliated Hospital of Zhejiang University School of Medicine and Xin Hua Hospital Affiliated to Shanghai Jiao Tong University School of Medicine to promote the application of intelligent medicine in three fields, namely AI research, talent development and smart hospitals. Initiatives under these agreements include: establishing a laboratory for medical AI projects to promote the application of technologies such as AI and data mining in medical rescue and treatment in Zhejiang; setting up a national medical talent intelligent training platform that connects medical institutions and private establishments and enterprises across the country to develop an intelligent training management platform for practitioners that provides standardized, information and program-based systematic training; and establishing a model smart hospital, which includes building a mixed hospital cloud platform, a pediatric medical association cloud platform and a medical research data platform, and enabling mobile payments for all hospital services in the hospital.

During the current reporting period, the Group actively organized the provision of comprehensive, multi-tiered, professional and convenient health consultation and other services by third-party professionals such as medical practitioners and pharmacists via end-user applications such as the AliHealth mobile application and the Taobao, Tmall and Alipay mobile applications. The Group also strived to develop its personal health management platform, which integrates online and offline medical and health data to generate personal health profiles so as to facilitate the provision of personalized medical services and total health cycle management services. During the current reporting period, the Group further collaborated with renowned pharmaceutical enterprises to promote and provide online popular science education and offer online reservation services in relation to category 2 vaccines, thereby enabling the public to access diversified disease prevention services more conveniently.

Future prospects

The Internet, big data and various innovative technologies have created new opportunities to solve the issues facing the medical and healthcare sector. In 2016 and 2017, the State Council issued notices regarding the Guiding Opinions of the General Office of the State Council on Promoting and Regulating the Development of Healthcare Big Data Applications* (《國務院辦公廳關於促進和規範健康醫療大數據應用發展的指導意見》) and the Development Plan for the New Generation of Artificial Intelligence* (《新一代人工智能發展規劃》) respectively, stating the need to keep up with the latest developments in information technology and its goals to regulate and promote the integration, sharing and open application of healthcare and medical big data; and identifying AI as a strategic technology for the future, thereby signifying that the Internet+ Healthcare campaign is entering the era of cutting-edge technologies such as big data, AI technologies and cloud medical associations. Against this backdrop, the Group aspires to create a closed loop of comprehensive intelligent medical services by linking governments, medical institutions, patients and healthcare professionals through such major products as Internet hospital, AI healthcare solutions and health management tools with its big data and AI healthcare technologies and services.

In cooperation with its partners, the Group will continue to provide healthcare big data applications and solutions to governments and offer information-based and intelligent solutions for medical institutions of different levels to become a platform through which hospital information system technology companies can provide their services. The AliHealth platform will empower different participants in the healthcare industry chain by allowing convenient access and high quality services, to provide consumers with easy access to intelligent medical services. Furthermore, the Group, alongside those who share the same vision, will seek to create personalized electronic health profiles for the public through the application of big data analysis. We aim to promote integrated healthcare services covering prevention, treatment, rehabilitation and health management throughout the life cycle, and to provide healthcare professionals with big data and AI-based diagnosis and treatment support tools, thereby improving service efficiency and capability.

- **Tracking services**

The Chinese government has continued to roll out important policies to strengthen product tracking in recent years. In early 2017, seven ministries and administrations including the Ministry of Commerce jointly issued the Guiding Opinion on Promoting the Construction of Key Product Information Tracking Systems* (《關於推進重要產品信息化追溯體系建設的指導意見》), which stated that promoting the construction of key product information tracking systems is an important measure for improving people's livelihoods, stimulating consumption, ensuring stable growth and furthering supply side structural reform, and is very important in terms of improving supply chain efficiencies and product quality and safety standards, encouraging circulation transformation, upgrade and innovation, establishing information-based monitoring and regulatory systems, as well as fostering a safe environment for consumption.

As disclosed in the Company's annual report 2017 published on June 25, 2017, following the publication by the China Food and Drug Administration (the "**CFDA**") of the Decision of the China Food and Drug Administration Regarding Amendment of the Good Supply Practice for Pharmaceutical Products (CFDA Order No. 28)* (《國家食品藥品監督管理總局關於修改〈藥品經營質量管理規範〉的決定》(國家食品藥品監督管理總局令第28號)) (the "**Order No. 28**"), the Company continued to work on the operation and finalization of the product identification, authentication and tracking system for the drug industry (the "**Drug PIATS**") under CFDA's direction while continuing to promote its Ma Shang Fang Xin tracking platform, which was launched in May 2016.

The Ma Shang Fang Xin tracking platform offers product tracking and related value-added services to help manufacturers establish product tracking systems to realize quality assurance and marketing control. By leveraging on the strong computational and data processing capacity of Alibaba Cloud, this 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. This platform also helps quality manufacturers to have more interaction with, and hence better serve, its end consumers using tracking codes.

During the current reporting period, the Ma Shang Fang Xin tracking platform grew steadily in terms of customer development and industry coverage. As at the end of the current reporting period, more than 7,200 enterprises from the drug, food, alcohol, nutritional product and healthcare supplement, cosmetics, agricultural produce, fast-moving consumer goods and other industries had signed up with the Group to join the platform. For the pharmaceutical sector, the number of pharmaceutical manufacturers which signed up accounted for more than 80% of the total number of pharmaceutical manufacturers in China.

The Group also launched cross-border product tracking services during the current reporting period. Merchants directly procure the products from their country of origin and can collect inventory and test report information provided by institutions at that country of origin. Tracking records at key points during the product importation and circulation process are also available to ensure authenticity of the product and its country of origin.

Future prospects

Ensuring drug and food safety for the benefit of the people is an important Chinese government policy, and the electronic tracking system is an important means for the government to strengthen product safety management for key items such as drugs and food. The Group will continue its efforts to construct tracking systems based on its platform operation experience and to maintain the accessibility and compatibility of its platforms. It will also work with different enterprises, industry organizations and the government to build information-based and intelligent management infrastructure and establish highly interactive platforms to connect manufacturers, testing and certification organizations, regulatory authorities and consumers, with the ultimate goal of developing a safe and reliable information channel between businesses and consumers.

FINANCIAL REVIEW

The key financial figures of the Group for the six months ended September 30, 2017 and the comparative figures for the six months ended September 30, 2016 are summarized as follows:

	For the six months ended September 30		
	2017	2016	Change
	RMB'000	*RMB'000*	*%*
Revenue	**889,731**	55,027	1,516.9
Gross profit	**255,488**	47,529	437.5
Gross profit margin	**28.7%**	86.4%	N/A
Fulfillment	**(146,850)**	(821)	17,786.7
Sales and marketing expenses	**(86,471)**	(49,566)	74.5
Administrative expenses	**(57,313)**	(51,543)	11.2
Product development expenses	**(61,377)**	(50,441)	21.7
Other income and gains	**17,244**	6,143	180.7
Interest on bank loans	**(5,134)**	(2,055)	149.8
Other expenses	**(2,199)**	(11,075)	(80.1)
Operating loss	**(86,612)**	(111,829)	(22.5)
Share of profits of a joint venture	**3,017**	4,478	(32.6)
Share of profits or losses of associates	**(7,976)**	2,574	(409.9)
LOSS FOR THE REPORTING PERIOD	**(92,178)**	(105,825)	(12.9)
Net loss attributable to owners of the parent	**(90,911)**	(102,398)	(11.2)
NON-GAAP ADJUSTMENTS			
Adjusted net loss	**(34,442)**	(49,337)	(30.2)

— **Revenue**

Revenue of the Group for the six months ended September 30, 2017 amounted to RMB889,731,000, representing an increase of RMB834,704,000 or 1,516.9% as compared to RMB55,027,000 for the six months ended September 30, 2016. The increase in revenue was attributable to the rapid growth in revenue from healthcare product sales and e-commerce platform services during the current reporting period. During the corresponding period of the preceding year, these businesses had only just commenced operations and recorded less than one month of revenue.

— *Healthcare product sale*

The Group's healthcare product sale business comprises the self-operated B2C pharmacy business and the B2B centralized procurement and distribution business. During the current reporting period, the self-operated B2C pharmacy business, which is operated through Alihealth Pharmacy and Alihealth overseas flagship stores, grew rapidly. Meanwhile, the Group entered the centralized healthcare product supply chain procurement and distribution business to offer quality and keenly priced products to downstream merchants by connecting them to the upstream supply chain and analyzing circulation data. During the current reporting period, revenue from the above healthcare product sale business amounted to RMB786,179,000.

— *e-Commerce platform services*

Pursuant to the service agreement between the Group and the Tmall Entities under Alibaba Group, the Group provides merchant business development, customer support, technical support and other outsourced and value-added services for certain pharmaceutical-related categories on the Tmall platform in consideration of certain service fees. In tandem with the steady growth of Tmall's pharmaceutical category e-commerce platform business, the service fee income therefrom has become a significant source of revenue and profit for the Group during the current reporting period. In June 2017, the Group acquired the health food category e-commerce platform services business from Alibaba Group. Following such acquisition, the Group provides e-commerce platform services to health food merchants on the Tmall platform in consideration of software service fees from them. During the current reporting period, aggregate revenue from both services amounted to RMB66,610,000.

— *Tracking services*

During the current reporting period, the Ma Shang Fang Xin tracking platform grew steadily in terms of customer development and industry coverage and revenue from the tracking business, which largely comprised revenue from the provision of value-added services on the Ma Shang Fang Xin tracking platform, amounted to RMB9,437,000. By comparison, revenue from the tracking business which largely comprised revenue from the operation of the Drug PIATS in China for the corresponding period of the preceding year, amounted to RMB48,983,000. The business model of the Ma Shang Fang Xin tracking platform is different from that of operating the Drug PIATS in China as the Ma Shang Fang Xin tracking platform is focused on providing a wider range of value-added services to allow the Group to offer more comprehensive and innovative solutions to enterprises in both the drug and non-drug industries, in a way that will create greater synergies with other businesses of the Group and be accretive to the business as a whole.

— *Innovative healthcare related services*

Apart from the above businesses, the Group also explored various forms of innovative value-added services in the healthcare sector, including the provision of comprehensive marketing services covering multiple channels throughout the whole chain to pharmaceutical brands, and collaborating with renowned pharmaceutical enterprises to provide popular science education and establishing online reservation platforms in relation to category 2 vaccines. During the current reporting period, revenue from these services and projects amounted to RMB27,505,000.

— **Gross profit and gross profit margin**

The Group recorded gross profit for the six months ended September 30, 2017 of RMB255,488,000, representing an increase of 437.5% as compared to RMB47,529,000 for the six months ended September 30, 2016. Gross profit margin for the current reporting period was 28.7% as compared to 86.4% for the corresponding period of the preceding year. During the corresponding period of the preceding year, gross profit was mainly derived from the tracking business of operating the Drug PIATS in China. However, the Group's business has undergone significant change during the current reporting period. The rapid growth of the healthcare product sales business, which generated relatively larger revenue but with a lower gross profit margin, resulted in a significant decrease in the overall gross profit margin.

— **Fulfillment**

Warehousing, logistics and customer service expenses incurred by the Group's self-operated healthcare product sales business were included in fulfillment costs. Fulfillment costs for the six months ended September 30, 2017 amounted to RMB146,850,000, representing a substantial increase from RMB821,000 for the corresponding period of the preceding year mainly due to the huge growth in turnover of the self-operated B2C pharmacy business.

— **Sales and marketing expenses**

Sales and marketing expenses for the six months ended September 30, 2017 amounted to RMB86,471,000, representing an increase of RMB36,905,000 or 74.5% as compared to RMB49,566,000 for the corresponding period of the preceding year. Such increase was mainly due to the rise in promotional costs to publicize self-operated stores as well as the increase in the headcount of the Group's sales function to cater for new businesses.

— **Administrative expenses**

Administrative expenses for the six months ended September 30, 2017 amounted to RMB57,313,000, representing an increase of RMB5,770,000 or 11.2% as compared to RMB51,543,000 for the corresponding period of the preceding year. Such increase was mainly due to the increase in management share-based compensation costs.

— **Product development expenses**

Product development expenses for the six months ended September 30, 2017 amounted to RMB61,377,000, representing an increase of RMB10,936,000 or 21.7% as compared to RMB50,441,000 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 current reporting period, the Group continued to recruit more information technology engineers in order to expand its healthcare service network, as well as to develop its health management platform and intelligent medical analysis engines.

— **Other income and gains**

Other income for the six months ended September 30, 2017 amounted to RMB17,244,000, representing an increase of RMB11,101,000 or 180.7% as compared to RMB6,143,000 for the corresponding period of the preceding year. Such increase was mainly attributable to an increase in foreign exchange gains for the current reporting period.

— **Interest on bank loans**

Interest on bank loans for the six months ended September 30, 2017 amounted to RMB5,134,000, representing an increase of RMB3,079,000 or 149.8% as compared to RMB2,055,000 for the corresponding period of the preceding year. Such increase was mainly due to the increase in the principal amount of loans during the second half of the preceding year.

— **Other expenses**

Other expenses for the six months ended September 30, 2017 amounted to RMB2,199,000, representing a decrease of RMB8,876,000 or 80.1% as compared to RMB11,075,000 for the corresponding period of the preceding year. Such decrease was mainly due to the absence of exchange loss in the six months ended September 30, 2017 as compared to the exchange loss of RMB9,735,000 for the corresponding period of the preceding year.

— **Share of profits of a joint venture**

Share of profits of a joint venture represented the share of net operating results of the Group's 49%-owned joint venture, Beijing Honglian 95 Information Industries Company Limited* (北京鴻聯九五信息產業有限公司) ("**HL95**")), which engages in telecommunications and information value-added services. The share of profits of HL95 for the six months ended September 30, 2017 amounted to RMB3,017,000, representing a decrease of RMB1,461,000 or 32.6% as compared to RMB4,478,000 for the corresponding period of the preceding year. Such decrease in the share of profits was mainly due to the slight decrease in the profits of the joint venture's call center business caused by intense market competition.

— **Share of profits or losses of associates**

The Group actively invests in the healthcare sector. For the six months ended September 30, 2017, the Group's share of losses of associates amounted to RMB7,976,000 as the newly acquired associates are either still under business transformation or at the initial stage of their business development.

— **Non-Generally Accepted Accounting Principles ("non-GAAP") indicator in relation to loss for the period: Adjusted net loss**

For the six months ended September 30, 2017, the Group's loss amounted to RMB92,178,000, representing a decrease of RMB13,647,000 or 12.9% as compared to RMB105,825,000 for the corresponding period of the preceding year. For the six months ended September 30, 2017, the Group's adjusted net loss amounted to RMB34,442,000, representing a decrease of 30.2% as compared to RMB49,337,000 for the corresponding period of the preceding year. The reduction in adjusted net loss was mainly attributable to the increase in gross profit in line with revenue growth of all businesses.

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 loss, which is not required under, or presented in accordance with, HKFRS, as an additional financial indicator. We believe that such non-GAAP indicator is conducive to the comparison of operating performance across different periods and between different companies by eliminating the potential impact of items which are, in the view of our management, not indicative of our operating performance. We believe that such indicator provides investors and other parties with useful information which would enable them to understand and evaluate our consolidated operating results in the same manner as our management does. However, the adjusted net loss presented by us may not be comparable to similar indicators presented by other companies. Such non-GAAP indicator is subject to limitations as an analytical tool and should not be regarded as being independent from or a substitute for the analysis of our operating results or financial positions reported in accordance with HKFRS.

The adjusted net losses for the six months ended September 30, 2017 and 2016 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 period):

	Six months ended September 30,	
	2017	2016
	RMB'000	*RMB'000*
Loss for the reporting period	**92,178**	105,825
Excluding		
— Share-based compensation expenses	**57,736**	56,488
Adjusted net loss	**34,442**	49,337

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

The financial position of the Group as at September 30, 2017 and the corresponding comparative figures as at March 31, 2017 are summarized as follows:

	September 30, 2017	March 31, 2017
	RMB'000	*RMB'000*
Current assets	**890,363**	810,915
Including		
— Cash and cash equivalents (including fixed deposits with maturity within three months, and mainly denominated in Hong Kong dollars, United States dollars and Renminbi)	**109,350**	569,860
— Restricted cash	**2,268**	914
— Pledged deposits	**265,115**	—
— Trade receivables and other receivables	**91,271**	58,118
Current liabilities	**798,743**	353,472
Current ratio (current assets/current liabilities)	**1.11**	2.29
Quick ratio (cash and cash equivalents and trade receivables/ current liabilities)	**0.25**	1.78
Shareholders' equity	**1,122,579**	1,177,836
Gearing ratio (bank loans/shareholders' equity)	**N/A**	N/A

Cash and cash equivalents including fixed deposits with maturity within three months decreased by RMB460,510,000 or 80.8% from RMB569,860,000 as at March 31, 2017 to RMB109,350,000 as at September 30, 2017. Such decrease mainly reflected investments in associates and the drawdown to finance the operating cash outflow of the Group for the six months ended September 30, 2017.

Trade receivables and other receivables increased by RMB33,153,000 or 57.0% from RMB58,118,000 as at March 31, 2017 to RMB91,271,000 as at September 30, 2017. Such increase mainly reflected the increase in amounts receivable from customers of the centralized procurement and distribution business during the six months ended September 30, 2017.

The decrease in current and quick ratios as at September 30, 2017 mainly reflected the decrease in cash and cash equivalents described above. The current ratio was 1.11 (March 31, 2017: 2.29) and the quick ratio was 0.25 (March 31, 2017: 1.78).

Shareholders' equity decreased by RMB55,257,000 or 4.7% from RMB1,177,836,000 as at March 31, 2017 to RMB1,122,579,000 as at September 30, 2017, mainly reflecting the net loss of the Company for the current reporting period.

The balance of the Group's outstanding bank loans at fixed interest rates as at September 30, 2017 amounted to RMB200,000,000. As at September 30, 2017, the sum of the Group's cash and cash equivalents, restricted cash and pledged deposits exceeded that of the Group's bank loans and hence no net gearing ratio was shown (March 31, 2017: Nil).

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, 2017. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of our assets, liabilities and other commitments can meet the Group's funding requirements from time to time. Other than a certain amount of bank balances and cash, most of the Group's bank balances and cash are placed in fixed deposits and are denominated in Hong Kong dollars, Renminbi and United States dollars, while other assets and liabilities are mainly denominated in either Hong Kong dollars or Renminbi. The Group changed its presentation currency from Hong Kong dollars to Renminbi starting from the year ended March 31, 2016 to better reflect its operations in the PRC and to be consistent with the internal reporting 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 a 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, 2017 was 403 (390 as at March 31, 2017). Total staff costs of the Group for the six months ended September 30, 2017 amounted to RMB153.8 million (RMB115.6 million for the six months ended September 30, 2016). 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 of the Company, 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. Details of the options and RSUs granted, lapsed and outstanding under the Share Award Scheme during the current reporting period are set out in note 15 to the condensed consolidated financial statements.

INTERIM DIVIDEND

The Board resolved that no interim dividend be declared for the six months ended September 30, 2017 (September 30, 2016: 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, 2017, 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 A.6.7 stipulates that independent non-executive directors and other non-executive directors of the Company should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Wu Yongming, Mr. Tsai Chung, Joseph, Ms. Huang Aizhu and Mr. Kang Kai, being non-executive directors of the Company, and Mr. Yan Xuan and Mr. Luo Tong, being independent non-executive directors of the Company were not able to attend the special general meeting of the Company held on June 29, 2017; and Mr. Wu Yongming, Mr. Tsai Chung, Joseph, Ms. Huang Aizhu and Mr. Kang Kai were not able to attend the annual general meeting of the Company held on July 26, 2017 due to conflicts of prior scheduled engagements with the meeting times. However, the Company has reported to the relevant directors on the items discussed at the general meetings and the feedback from the shareholders.

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 directors of the Company in the Group's securities. In response to specific enquiries by the Company, all directors of the Company have confirmed that they have complied with the Model Code in their securities transactions throughout the six months ended September 30, 2017.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended September 30, 2017, 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 2,433,300 shares of the Company on the market to satisfy the 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, 2017 have not been audited, but have been reviewed by the audit committee of the Company and the independent auditor of the Company, Ernst & Young.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.irasia.com/listco/hk/alihealth). The interim report for the six months ended September 30, 2017 will be despatched to shareholders of the Company and available on the above websites in due course.

By Order of the Board
ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED
WANG Lei
Chief Executive Officer and Executive Director

Hong Kong, November 15, 2017

As at the date of this announcement, the Board comprises eight directors, of whom (i) one is an executive director, namely Mr. WANG Lei; (ii) four are non-executive directors, namely Mr. WU Yongming, Mr. TSAI Chung, Joseph, Ms. HUANG Aizhu, and Mr. KANG Kai; and (iii) three are independent non-executive directors, namely Mr. YAN Xuan, Mr. LUO Tong and Mr. WONG King On, Samuel.

* *For identification purpose only*