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, 2015

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, 2015 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.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended September 30, 2015

	Notes	Six months ended September 30, **2015** Unaudited *HK$'000*	2014 Unaudited *HK$'000*
REVENUE	*3*	**21,371**	18,647
Cost of revenue		**(16,580)**	(17,465)
Gross profit		**4,791**	1,182
Other income and gains	*4*	**9,914**	8,664
Sales and marketing expenses		**(58,516)**	(7,549)
Administrative expenses		**(39,926)**	(16,570)
Product development expenses		**(45,147)**	(12,838)
Other expenses		**(18,036)**	(19,695)
Share of profit of:			
A joint venture	*5*	**7,278**	4,710
An associate	*6*	**10,323**	8,245
LOSS BEFORE TAX	*7*	**(129,319)**	(33,851)
Income tax expense	*8*	**(1,032)**	(825)
LOSS FOR THE PERIOD		**(130,351)**	(34,676)
Attributable to:			
Owners of the Company		**(125,560)**	(33,755)
Non-controlling interests		**(4,791)**	(921)
		(130,351)	(34,676)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic and diluted	*9*	**HK(1.54) cents**	HK(0.45) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended September 30, 2015

	Six months ended September 30,	
	2015	2014
	Unaudited	Unaudited
	HK$'000	*HK$'000*
LOSS FOR THE PERIOD	**(130,351)**	(34,676)
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of foreign operations	**(7,261)**	2,012
Share of other comprehensive income of a joint venture	**2,514**	–
Share of other comprehensive income of an associate	**3,131**	–
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(1,616)**	2,012
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(131,967)**	(32,664)
Attributable to:		
Owners of the Company	**(127,176)**	(31,017)
Non-controlling interests	**(4,791)**	(1,647)
	(131,967)	(32,664)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at September 30, 2015

	Notes	**September 30, 2015 Unaudited** *HK$'000*	March 31, 2015 Audited *HK$'000*
NON-CURRENT ASSETS			
Property and equipment		**8,079**	5,225
Investment in a joint venture		**98,729**	93,965
Investment in an associate		**126,724**	119,532
Total non-current assets		**233,532**	218,722
CURRENT ASSETS			
Trade receivables	*10*	**17,059**	1,337
Prepayments, deposits and other receivables		**23,300**	18,742
Cash and cash equivalents		**1,414,188**	1,522,099
Total current assets		**1,454,547**	1,542,178
CURRENT LIABILITIES			
Trade payables	*12*	**7,316**	4,566
Other payables and accruals		**75,851**	75,464
Deferred revenue		**60,818**	24,885
Receipt in advance		**54,586**	47,717
Tax payable		**19**	19
Total current liabilities		**198,590**	152,651
NET CURRENT ASSETS		**1,255,957**	1,389,527
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,489,489**	1,608,249
NON-CURRENT LIABILITIES			
Deferred tax liability		**7,499**	6,467
Deferred revenue		**25,088**	18,165
Total non-current liabilities		**32,587**	24,632
Net assets		**1,456,902**	1,583,617
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**81,727**	81,727
Reserves		**1,453,380**	1,575,304
		1,535,107	1,657,031
Non-controlling interests		**(78,205)**	(73,414)
Total equity		**1,456,902**	1,583,617

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended September 30, 2015

	Notes	Attributable to owners of the Company										
		Share capital	Share premium account*	Capital reserve*	Contributed surplus*	Exchange fluctuation reserve*	Employee share-based compensation reserve*	General reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At April 1, 2015		81,727	2,162,143	33,529	78,108	72,264	–	13,433	(784,173)	1,657,031	(73,414)	1,583,617
Loss for the period		–	–	–	–	–	–	–	(125,560)	(125,560)	(4,791)	(130,351)
Other comprehensive income/(loss) for the period:												
Exchange difference on translation of foreign operations		–	–	–	–	(7,261)	–	–	–	(7,261)	–	(7,261)
Share of other comprehensive income of a joint venture		–	–	–	–	2,514	–	–	–	2,514	–	2,514
Share of other comprehensive income of an associate		–	–	–	–	3,131	–	–	–	3,131	–	3,131
Total comprehensive loss for the period		–	–	–	–	(1,616)	–	–	(125,560)	(127,176)	(4,791)	(131,967)
Share-based compensation expenses	*11*	–	–	–	–	–	5,252	–	–	5,252	–	5,252
At September 30, 2015		81,727	2,162,143	33,529	78,108	70,648	5,252	13,433	(909,733)	1,535,107	(78,205)	1,456,902
At April 1, 2014		37,490	880,278	20,089	78,108	74,860	232	13,433	(682,647)	421,843	(69,809)	352,034
Loss for the period		–	–	–	–	–	–	–	(33,755)	(33,755)	(921)	(34,676)
Other comprehensive income for the period:												
Exchange difference on translation of foreign operations		–	–	–	–	2,738	–	–	–	2,738	(726)	2,012
Total comprehensive loss for the period		–	–	–	–	2,738	–	–	(33,755)	(31,017)	(1,647)	(32,664)
Issue of shares	*13*	44,232	1,282,721	–	–	–	–	–	–	1,326,953	–	1,326,953
Share issue expenses		–	(2,256)	–	–	–	–	–	–	(2,256)	–	(2,256)
Exercise of share options	*13*	5	1,815	–	–	–	(232)	–	–	1,588	–	1,588
At September 30, 2014		81,727	2,162,558	20,089	78,108	77,598	–	13,433	(716,402)	1,717,111	(71,456)	1,645,655

* These reserve accounts comprise the consolidated reserves of HK$1,453,380,000 (March 31, 2015: HK$1,575,304,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended September 30, 2015

		Six months ended September 30,	
		2015	2014
		Unaudited	Unaudited
	Notes	***HK$'000***	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(129,319)**	(33,851)
Adjustments for:			
Share of profit of a joint venture	*5*	**(7,278)**	(4,710)
Share of profit of an associate	*6*	**(10,323)**	(8,245)
Interest income	*4*	**(9,901)**	(7,338)
(Gain)/loss on disposal of items of property and equipment		**(13)**	5,538
Depreciation	*7*	**2,185**	3,599
Amortization of intangible assets	*7*	**–**	1,430
Impairment of trade receivables	*7*	**1,341**	13,467
Impairment of prepayments and other receivables	*7*	**20**	408
Foreign exchange difference, net		**10,075**	–
Share-based compensation expense	*7*	**5,252**	–
		(137,961)	(29,702)
Increase in trade receivables		**(17,063)**	(5,085)
Increase in prepayments, deposits and other receivables		**(5,201)**	(2,313)
Increase in trade payables		**2,750**	166
Increase in other payables and accruals		**387**	7,090
Increase/(decrease) in deferred revenue		**42,856**	(17,297)
Increase in receipt in advance		**6,869**	30,287
Exchange differences		**7,008**	–
Cash used in operations		**(100,355)**	(16,854)
Interest received		**10,524**	7,338
Net cash flows used in operating activities		**(89,831)**	(9,516)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the six months ended September 30, 2015

	Six months ended September 30, 2015 Unaudited HK$'000	2014 Unaudited HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property and equipment	**(5,039)**	(2,226)
Proceeds from disposal of items of property and equipment	**13**	132
Placement of time deposits with original maturity of over three months when acquired	**(5,062)**	(55,251)
Withdrawal of time deposits with original maturity of over three months when acquired	**5,116**	4,962
Net cash flows used in investing activities	**(4,972)**	(52,383)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**–**	1,328,541
Share issue expenses	**–**	(2,256)
Net cash flows generated from financing activities	**–**	1,326,285
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(94,803)**	1,264,386
Cash and cash equivalents at beginning of period	**1,516,983**	216,377
Effect of foreign exchange rate changes	**(13,054)**	(1,017)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,409,126**	1,479,746
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**86,705**	74,868
Time deposits	**1,327,483**	1,460,129
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	**1,414,188**	1,534,997
Time deposits with original maturity of over three months when acquired	**(5,062)**	(55,251)
CASH AND CASH EQUIVALENTS AS STATED IN THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	**1,409,126**	1,479,746

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

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 (before October 31, 2015: Fairmont Building), Beijing, the People's Republic of China ("PRC").

The interim condensed consolidated financial statements are presented in thousands of Hong Kong dollars ("HK$") unless otherwise stated.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") are involved in the operation of product identification, authentication and tracking system ("PIATS") principally for the drug industry in the PRC, and exploration of business models in the internet healthcare sector. In the opinion of the directors, the immediate holding company of the Company is Perfect Advance Holding Limited ("Perfect Advance"). With effect from July 1, 2015, as a result of certain amendments made to the terms of the shareholders agreement governing the arrangements between the shareholders of Perfect Advance, Alibaba Investment Limited, a subsidiary of Alibaba Group Holding Limited ("Alibaba Group"), acquired indirect control over the voting rights attaching to all of the shares of the Company held by Perfect Advance. Accordingly, in the opinion of the directors, Alibaba Group became the ultimate holding company of the Company with effect from July 1, 2015.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ended September 30, 2015 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, 2015.

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

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, 2015, except in relation to 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 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements 2010-2012	Amendments to a number of HKFRSs
Annual Improvements 2011-2013	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.

3 REVENUE AND SEGMENT INFORMATION

The Group is primarily engaged in the operation of PIATS principally for the drug industry in the PRC, the construction of a medical services network and the pharmaceutical e-commerce business. Given that the Group's system integration and software development business has been winding down, while the business of the medical services network and the pharmaceutical e-commerce was still in its early stages during the period, the chief operating decision makers of the Company consider that the Group's operations currently primarily comprise a single segment of operating the PIATS business, and accordingly, no segment information is presented.

The Group's revenue is entirely generated from customers located in the PRC.

4 OTHER INCOME AND GAINS

	Six months ended September 30, 2015 Unaudited *HK$'000*	2014 Unaudited *HK$'000*
Bank interest income	**9,901**	7,338
Gain on disposal of items of property and equipment	**13**	–
Others	**–**	1,326
	9,914	8,664

5 SHARE OF PROFIT OF A JOINT VENTURE

The Group recorded a 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 both periods.

6 SHARE OF PROFIT OF AN ASSOCIATE

The Group recorded a share of profit from a 30%-owned associate, Dongfang Customs Technology Company Limited (東方口岸科技有限公司) for both periods.

7 LOSS BEFORE TAX

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

	Six months ended September 30, 2015 Unaudited *HK$'000*	2014 Unaudited *HK$'000*
Depreciation	**2,185**	3,599
Amortisation of intangible assets	**–**	1,430
Loss on disposal of items of property and equipment#	**–**	5,538
Minimum lease payments under operating leases for office buildings	**11,412**	5,717
Impairment of trade receivables#	**1,341**	13,467
Impairment of prepayments and other receivables#	**20**	408
Foreign exchange differences, net#	**16,675**	282
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**69,772**	20,776
Pension scheme contributions	**6,804**	1,715
Share-based compensation expense	**5,252**	–
	81,828	22,491

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

8 INCOME TAX EXPENSE

The charge represents withholding tax on the distributable profits of the Group's associate.

No provision for Hong Kong profits tax has been made for both periods as the Group did not generate any assessable profits arising in Hong Kong.

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

9 LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 8,172,645,000 in issue during the period (for the six months ended September 30, 2014: 7,451,448,000).

No adjustment has been made to the basic loss per share amounts presented for the six months ended September 30, 2015 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. The Group had no potentially diluted ordinary shares in issue during the six months ended September 30, 2014.

10 TRADE RECEIVABLES

	September 30, 2015 Unaudited ***HK$'000***	March 31, 2015 Audited *HK$'000*
Trade receivables	**41,832**	25,386
Impairment	**(24,773)**	(24,049)
	17,059	1,337

The Group offers a credit period of 90 days to some of its trade customers and each customer has a maximum credit limit. 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 aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	September 30, 2015 Unaudited ***HK$'000***	March 31, 2015 Audited *HK$'000*
Within 3 months	**16,528**	1,337
3 to 12 months	**531**	–
	17,059	1,337

11 SHARE-BASED COMPENSATION EXPENSE

Share option scheme

The Company operated a share option scheme (the "Share Option Scheme"), which became effective on August 29, 2013, for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations. Eligible participants of the Share Option Scheme included the Company's directors or proposed directors, including independent non-executive directors, other employees or proposed employees of the Group or any individual for the time being seconded to work for the Group, any substantial shareholder of any member of the Group, any contractor, agent or representative of the Group, any person or entity that provided research, development or other technological support or any advisory, consultancy, professional or other services to the Group, any supplier or licensor of goods or services to the Group, or any customer or licensee (including any sub-licensee) of goods or services of the Group.

The Share Option Scheme was terminated and replaced by a share award scheme (as further described below) in November 2014. As at the date of termination, no share options were outstanding under the Share Option Scheme.

Share award scheme

On November 24, 2014 (the "Adoption Date"), the Group adopted a share award scheme (the "Share Award Scheme") to replace the Share Option 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 Listing Rules) of the Company and shall therefore be subject to compliance with Chapter 14A of the Listing Rules (unless an exemption applies).

11 SHARE-BASED COMPENSATION EXPENSE (CONTINUED)

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

	Number of options	Number of RSUs
	'000	*'000*
Outstanding at April 1, 2015	–	–
Granted/conditionally granted during the period*	33,843	20,003
Forfeited during the period	(1,346)	(1,298)
Outstanding at September 30, 2015	32,497	18,705
Average fair value per unit at September 30, 2015	HK$2.56	HK$5.22

* These conditional grants relate to certain RSUs granted to Mr. Wang Lei, the Chief Executive Officer of the Company and an executive Director, and Ms. Ma Li, Mr. Meng Changan and Mr. Wang Peiyu, each a director of a subsidiary or certain subsidiaries of the Company, which was subsequently approved by the special general meeting of the Company's shareholders in accordance with the Listing Rules.

The fair value of share options granted during the six months ended September 30, 2015 was calculated by using the binomial model, and the model inputs were the fair value (i.e. market value) of the Company's shares as at the grant date of HK$4.96, taking into account the expected volatility of 70%, expected dividends during the vesting periods of 0.0%, the exercise multiple of 2.2 and 2.8, the exercise price of HK$5.184 each and a risk-free interest rate of 1.74%.

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 and conditionally granted during the period was determined based on the market value of the Company's shares at the grant dates, which was HK$4.96 and HK$6.38, respectively.

The exercise period of the options is from the vesting date to 10 years from the grant date. The remaining vesting periods for the options and RSUs granted as at September 30, 2015 range from 0.6 to 4 years.

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

	Six months ended September 30,	
	2015	2014
	Unaudited	Unaudited
	HK$000	*HK$'000*
Cost of revenue	**91**	–
Sales and marketing expense	**1,390**	–
Administrative expenses	**2,183**	–
Product development expenses	**1,588**	–
Total	**5,252**	–

Subsequent to the end of the reporting period, the Company granted 2,023,000 share options and 2,943,000 RSUs under the Share Award Scheme to eligible employees, respectively, with a three-year or four-year vesting period.

12 TRADE PAYABLES

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

	September 30, 2015 Unaudited *HK$'000*	March 31, 2015 Audited *HK$'000*
Within 3 months	**3,550**	1,352
3 to 12 months	**1,125**	595
Over 12 months	**2,641**	2,619
	7,316	4,566

The trade payables are non-interest-bearing and are normally settled on terms of 90 to 180 days.

13 SHARE CAPITAL

	Number of shares in issue	**Share capital** *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
– At March 31, 2015 (audited) and September 30, 2015 (unaudited)	10,000,000,000	100,000

A summary of the movement in the Company's issued share capital was as follows:

	Number of shares in issue	**Share capital** *HK$'000*
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
– At April 1, 2014 (audited)	3,748,969,631	37,490
– Exercise of share options (unaudited) *(note 1)*	500,000	5
– Issue of shares (unaudited) *(note 2)*	4,423,175,008	44,232
– At September 30, 2014 (unaudited), March 31, 2015 (audited) and September 30, 2015 (unaudited)	8,172,644,639	81,727

Note 1: On April 10, 2014, 500,000 shares of HK$0.01 each were issued at the price of HK$3.175 per share upon exercise of share options under the Share Option Scheme by the option holder.

Note 2: On April 30, 2014, 4,423,175,008 shares of HK$0.01 each were duly allotted and issued to Perfect Advance for cash payment at the subscription price of HK$0.30 per subscription share.

14 OPERATING LEASE ARRANGEMENTS

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

	September 30, 2015 Unaudited ***HK$'000***	March 31, 2015 Audited *HK$'000*
Within one year	**16,574**	8,199
In the second to fifth year, inclusive	**29,112**	16,870
	45,686	25,069

The Group leases certain of its offices buildings under operating lease arrangements, which are negotiated for terms ranging from 6 months to 40 months.

15 RELATED PARTY TRANSACTIONS

(I) Transactions with other related parties:

(a) On September 30, 2014, CITIC 21CN Technology, an indirectly wholly-owned subsidiary of the Company, entered into the Cloud Computing Services Agreement (the "Agreement") with Alibaba Cloud Computing Ltd. (阿里雲計算有限公司) ("Alibaba Cloud"), a subsidiary of Alibaba Group. Pursuant to the Agreement, Alibaba Cloud will provide certain cloud computing services to the Group on a term of six months, commencing on October 1, 2014. On April 21, 2015, CITIC 21CN Technology and Alibaba Cloud renewed the Agreement, pursuant to which, Alibaba Cloud will provide certain cloud computing services to the Group for a term of one year, being deemed to have commenced on April 1, 2015 and ending on March 31, 2016. During the six months ended September 30, 2015, service fees of HK$4,597,000 were charged by Alibaba Cloud to the Group (six months ended September 30, 2014: Nil). As at September 30, 2015 and March 31, 2015, service fees prepaid/payable to Alibaba Cloud included in the Group's prepayments, deposits and other receivables amounted to HK$186,000 and trade payables amounted to HK$734,000. Further details of the transaction were set out in the announcement of the Company dated April 21, 2015.

(b) On September 7, 2015, the Company conditionally granted a total of 12,936,000 share options, with an exercise price of HK$5.184 per share, and 3,462,000 RSUs to Mr. Wang Lei, the Chief Executive Officer of the Company and an executive Director, and Ms. Ma Li, Mr. Meng Changan and Mr. Wang Peiyu, each a director of a subsidiary or certain subsidiaries of the Company, in accordance with the terms of the Share Award Scheme. The Group recognised a share-based compensation expense of HK$1,631,000 during the six months ended September 30, 2015 (six months ended September 30, 2014: Nil). Further details of the transaction were set out in the announcement of the Company dated September 8, 2015.

(c) HL95 is a 49%-owned joint venture of the Company. On April 3, 2015, the Group entered into a call center outsourcing service agreement with HL95, pursuant to which HL95 will provide certain call center services to the Group. The term of the Agreement is one year commencing on April 1, 2015. The Group uses call center services in the ordinary and usual course of its business. During the six months ended September 30, 2015, service fees of HK$3,128,000 were charged by HL95 to the Group (six months ended September 30, 2014: Nil).

15 RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with other related parties: (continued)

The related party transactions in respect of item (a) to (b) above for the current period also constitute continuing connected transactions or connected transactions as defined in Chapter 14A of the Listing Rules.

(II) Compensation of key management personnel of the Group

	Six months ended September 30,	
	2015	2014
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Short term employee benefits	**5,253**	4,421
Share-based compensation expense	**1,446**	–
Pension scheme contributions	**87**	106
Total compensation paid to key management personnel	**6,786**	4,527

16 PROPOSED ACQUISITION

On April 8, 2015, Ali JK Investment Holdings Limited ("Ali JK"), a wholly owned subsidiary of Alibaba Group and Mr. Chen Wen Xin ("Mr. Chen", together with Ali JK, the "Seller"), a brother of Ms. Chen Xiao Ying, executive director and shareholder of the Company, entered into a share purchase agreement (the "Agreement") with the Company, pursuant to which the Company conditionally agreed to acquire the entire issued share capital of Beijing Chuanyun Logistics Investment Limited ("Beijing Chuanyun") for a total consideration of HK$19,448,458,000. The consideration will be satisfied by the Company (a) issuing 2,961,291,148 ordinary shares of the Company at a conditional issue price of HK$5.28 per share and redeemable convertible bonds (the "Convertible Bonds") to Ali JK; and (b) issuing 313,038,008 ordinary shares of the Company at a conditional issue price of HK$5.28 per share to Mr. Chen. The aggregate principal amount of the Convertible Bonds will be HK$2,160,000,000. The total number of the ordinary shares of the Company to be issued (assuming the Convertible Bonds are fully converted upon maturity and including all accrued interest) will be 409,090,909 ordinary shares with a conversion price of HK$5.808 per ordinary share. Beijing Chuanyun is an investment holding company, and its subsidiaries are primarily engaged in the operation of an online transaction platform to process sales of products by online pharmacies. Beijing Chuanyun is held as to approximately 90.44% and 9.56% by Ali JK and Mr. Chen, respectively. Further details of the acquisition are set out in the announcement of the Company dated April 15, 2015 and the announcement on the filing of new listing application by the Company dated July 2, 2015. At the date of approval of these interim condensed consolidated financial statements, the acquisition has not been completed yet.

17 APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These interim condensed consolidated interim financial statements were approved and authorized for issue by the board of directors on November 23, 2015.

FINANCIAL REVIEW

The key financial figures of the Group for the six months ended September 30, 2015 and the comparative figures for the six months ended September 30, 2014 are summarized as follows:

	Six months ended September 30,	
	2015	2014
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Revenue	**21,371**	18,647
Gross profit	**4,791**	1,182
Gross profit percentage	**22.4%**	6.3%
Other income and gains	**9,914**	8,664
Sales and marketing expenses	**58,516**	7,549
Administrative expenses	**39,926**	16,570
Product development expenses	**45,147**	12,838
Other expenses	**18,036**	19,695
Share of profit of a joint venture	**7,278**	4,710
Share of profit of an associate	**10,323**	8,245
Net loss attributable to owners of the Company	**125,560**	33,755
Loss per share		
Basic and diluted	**HK(1.54) cents**	HK(0.45) cents

Results

Revenue

中信21世紀(中國)科技有限公司 (CITIC 21CN (China) Technology Company Limited ("**CITIC 21CN Technology**")) (a wholly-owned subsidiary of the Group) and 中信國檢信息技術有限公司 (China Credit Information Technology Company Limited ("**CCIT**")) (a 50%-owned subsidiary of the Group) are engaged in the operation of product identification, authentication and tracking systems ("**PIATS**"). The PIATS business revenue for the six months ended September 30, 2015 increased by HK$2,724,000 or 14.6% to HK$21,371,000 from HK$18,647,000 for the six months ended September 30, 2014. The growth in revenue during the period was due to the increase in joining fee income received from retail pharmacy stores and revenue generated from the provision of value-added services.

Gross profit percentage

The Group recorded an improved gross profit percentage of 22.4% for the six months ended September 30, 2015 as compared with that of 6.3% for the corresponding period of the preceding year. The improvement in profitability was mainly attributable to the increase in revenue from the operation of PIATS for drugs in China ("**Drug PIATS**") while most of the cost of sales of Drug PIATS were fixed in nature. The Drug PIATS business is a dynamic and evolving business, hence management expects that the gross profit percentage will continue to fluctuate in the near future.

Other income and gains

Other income and gains for the six months ended September 30, 2015 was HK$9,914,000, representing an increase of HK$1,250,000 as compared with that of HK$8,664,000 for the corresponding period of the preceding year. The increase was mainly due to the increase in interest income which increased from HK$7,338,000 for the six months ended September 30, 2014 to HK$9,901,000 for the six months ended September 30, 2015.

Sales and marketing expenses

Sales and marketing expenses for the six months ended September 30, 2015 was HK$58,516,000, representing an increase of HK$50,967,000 as compared with that of HK$7,549,000 for the corresponding period of the preceding year. The marketing expenses incurred during the period amounted to HK$20,702,000, which was mainly used for promoting downloads of the Alibaba Health mobile application (Alijk) and encouraging usage of our O2O pharmacy platform which was launched by the end of year 2014. In addition, with the expansion of the Group's business, the Group hired more sales and marketing employees which resulted in an increase of HK$24,617,000 in staff costs.

Administrative expenses

Administrative expenses for the six months ended September 30, 2015 was HK$39,926,000, representing an increase of HK$23,356,000 or 141.0% from HK$16,570,000 for the corresponding period of the preceding year. The increase was mainly due to increased staff costs of approximately HK$6,841,000 and increased professional fees of approximately HK$14,665,000 in relation to the proposed acquisition announced on April 15, 2015. During the period, the Group continued to invest in human capital to support the Group's continued expansion into new business areas. On September 7, 2015, the Group granted certain options and RSUs under the Share Award Scheme adopted on 24 November 2014 to senior management and key staff to reward, retain and incentivize eligible personnel. Management of the Group believes that such investment in human capital is essential to continue the Group's rapid development.

Product development expenses

Product development expenses for the six months ended September 30, 2015 was HK$45,147,000, representing an increase of HK$32,309,000 or 251.7% as compared with that of HK$12,838,000 for the corresponding period of the preceding year. The increase was mainly due to increased headcount in respect of our research and development related functions. Compared with the corresponding period, there were more IT engineers engaged in research and development in relation to our exploration of new business areas during the period, which resulted in an increase of HK$26,929,000 in staff costs.

In addition, as its business expanded, the Company relocated its offices from Fairmont Building to expanded premises at Greenland Center in Beijing. During the relocation period, rental and utility fees were paid for both the new and old offices, which resulted in an increase in expenses of HK$9,887,000, with HK$4,633,000, HK$1,667,000 and HK$3,587,000 allocated to sales and marketing expenses, administrative expenses and product development expenses, respectively.

Other expenses

Other expenses for the six months ended September 30, 2015 was HK$18,036,000, representing a decrease of HK$1,659,000 as compared with that of HK$19,695,000 for the corresponding period of the preceding year. The decrease was mainly due to an increase in foreign exchange loss of HK$16,393,000 arising from devaluation of Renminbi during the period, and a decrease in receivables impairment of HK$12,514,000. In addition, while a loss on disposal of items in property and equipment of HK$5,538,000 had been recognized for the six months ended September 30, 2014, no such loss was recognized for the six months ended September 30, 2015.

Share of profit of a joint venture

Share of profit of a joint venture represented the share of net operating results of our 49%-owned joint venture, 北京鴻聯九五信息產業有限公司 (Beijing Honglian 95 Information Industries Company Limited ("**HL95**")), which is engaged in telecommunications and information value-added services. The share of profit of HL95 for the six months ended September 30, 2015 was HK$7,278,000, representing an increase of HK$2,568,000 or 54.5% as compared with that of HK$4,710,000 for the corresponding period of the preceding year. The improvement in share of profit was mainly due to the continued increase in revenue generated from several large newly built-up call centers and HL95's labor outsourcing business.

Share of profit of an associate

Share of profit of an associate represented the share of net operating results of our 30%-owned associate, 東方口岸科技有限公司 (Dongfang Customs Technology Company Limited ("**Dongfang Customs**")), which is engaged in electronic customs processing and other electronic government services. The share of profit of Dongfang Customs for the six months ended September 30, 2015 was HK$10,323,000, representing an increase of HK$2,078,000 or 25.2% as compared with that of HK$8,245,000 for the corresponding period of the preceding year. The increase was mainly attributable to increased investment income from Dongfang Customs' associates.

Net loss attributable to owners of the Company

Net loss attributable to owners of the Company for the six months ended September 30, 2015 was HK$125,560,000, representing an increase of HK$91,805,000 or 272.0% as compared with that of HK$33,755,000 for the corresponding period of the preceding year. The increase was mainly due to an increase in operating expenses across the board as discussed above.

Loss per share

Basic and diluted loss per share was HK$1.54 cents for the six months ended September 30, 2015, increased from HK$0.45 cents for the corresponding period of the preceding year.

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

The financial positions of the Group as at September 30, 2015 and March 31, 2015 are summarized as follows:

	September 30, 2015 *HK$'000* **Unaudited**	March 31, 2015 *HK$'000* Audited
Current assets	**1,454,547**	1,542,178
Including		
– bank balances and cash (mainly denominated in Hong Kong dollars, Renminbi and United States dollars)	**1,414,188**	1,522,099
– debtors	**33,057**	15,804
Current liabilities	**198,590**	152,651
Current ratio (current assets/current liabilities)	**7.32**	10.10
Quick ratio (bank balances and cash and debtors/current liabilities)	**7.29**	10.07
Shareholders' equity	**1,535,107**	1,657,031
Gearing ratio (bank loans/shareholders' equity)	**N/A**	N/A

Bank balances and cash decreased by HK$107,911,000 or 7.1% from HK$1,522,099,000 as at March 31, 2015 to HK$1,414,188,000 as at September 30, 2015 to finance the operating cash outflow of the Group during the period.

Trade debtors increased by HK$17,253,000 or 109.2% from HK$15,804,000 as at March 31, 2015 to HK$33,057,000 as at September 30, 2015, as a result of an increase in credit sales to customers by the end of the reporting period. Nevertheless, the credit quality of these outstanding balances is considered to be good and the increase in the provision for doubtful debts during the period was minimal.

As at September 30, 2015, the substantial decreases in current and quick ratio were mainly attributable to a decrease in bank balances and cash as mentioned above. The current ratio was 7.32 (March 31, 2015: 10.10) and the quick ratio was 7.29 (March 31, 2015: 10.07).

Shareholders' equity decreased by HK$121,924,000 or 7.4% from HK$1,657,031,000 as at March 31, 2015 to HK$1,535,107,000 as at September 30, 2015, which was mainly due to the net loss attributable to owners of the Company for the period.

The Group did not have any bank loans and hence no gearing ratio was shown as at September 30, 2015 or March 31, 2015.

The Group's operations and transactions are principally located in the PRC. 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 is denominated in United States dollars, while other assets and liabilities are denominated in either Hong Kong dollars or Renminbi. The Directors believe that there will not be any material fluctuations in the exchange rate of US dollars against Hong Kong dollars (the Group's reporting currency) in the foreseeable future. However, the devaluation of Renminbi against Hong Kong dollars would have an adverse impact on the Group as the net assets of the Group's operating subsidiaries in the PRC are denominated in Renminbi and the Group also has bank balances and cash denominated in Renminbi for financing the Group's continuous expansion in the PRC. The Group does not have a foreign exchange hedging policy but management will continue to closely monitor exchange rate fluctuations and will take appropriate measures to keep foreign exchange risk exposure to a minimum.

BUSINESS REVIEW

The Group is an integrated healthcare information and content service provider which focuses on innovation. It seeks to utilize the latest advances in information technology to offer Internet-based solutions for the PRC government authorities, the healthcare industry, and consumers.

- **Drug PIATS**

  The Company's subsidiary, CITIC 21CN Technology, is principally engaged in the provision of drug tracking, recall and enforcement information services to relevant PRC authorities; the provision of product tracking and logistics information services to the pharmaceutical industry; and the provision of product information and authentication services to consumers, all through the operation of Drug PIATS. Since its launch, Drug PIATS has achieved widespread adoption across the country, effectively increased regulatory efficiency, contributed to maintaining an orderly market, and helped to establish a credibility system for the market which is recognized by the government, the pharmaceutical industry and consumers.

  The Group continued to encourage PRC medical institutions and retail pharmacies to adopt Drug PIATS, and there was a significant increase in retail pharmacies which adopted PIATS during the period. To complement its promotion efforts, the Group also continued to provide relevant technical support services, training and implementation guidance. The Group also continued to adopt technological and administrative measures to enhance data security, and, under the guidance and supervision of the relevant regulators, to explore how to unlock value from the data for regulators, enterprises and consumers.

  Future prospects

  The use of Drug PIATS is an important means for the PRC government to strengthen drug administration. The relevant PRC regulators are continuing to promote in stages the adoption of Drug PIATS. CITIC 21CN Technology will continue to work closely with the relevant PRC regulators, to operate and upkeep the Drug PIATS platform and to assist in promoting its expansion to cover all product types and the entire distribution chain. The Group will also, under the guidance and supervision of the relevant PRC regulators, explore the fair and orderly provision of access to Drug PIATS data and increasing value for the community.

- **Pharmaceutical e-commerce**

  The Group hopes to utilize Internet-based solutions to increase the transparency of the pharmaceutical and healthcare products supply chain, reduce information asymmetry and increase supply chain efficiencies, so as to benefit market participants and consumers. During the period, the Group updated its Alibaba Health mobile application and launched its 未來藥店合夥人計劃 (Pharmacy Partners of the Future Program) to better integrate online and offline distribution channels, so as to provide consumers with an improved and more convenient experience in purchasing pharmaceutical and healthcare products.

  Future prospects

  China's healthcare market is characterized by the highly fragmented and long supply chain of healthcare products. There is still much room for improving efficiencies in the pharmaceutical products supply chain. The Group will continue to work to create a more efficient drug distribution network, to enhance the user's experience through technology and model innovation, and to promote the transformation and upgrade of the industry.

- **Medical services network**

  During the period, the Group started to pilot its family doctor business model, actively explore telemedicine services and integrate medical services resources to offer personalized medical services to users. The Group will continue to build an Internet-based tiered medical services network, with family doctors as a main entry point and supported by telemedicine services, with the aim of providing users with comprehensive member services.

  Future prospects

  The PRC government has implemented various healthcare reform initiatives to encourage a tiered medical service network and doctors to practise at multiple locations. At the same time, the Internet, big data and various innovative technologies have provided new opportunities to address healthcare sector issues. The Group will actively utilize Internet technologies and big data analytical capabilities to construct a medical service network that connect medical service providers, medical service payers, pharmaceutical manufacturers, and patients, so as to provide a better medical experience for the public.

- **Proposed Acquisition**

  The Group believes that the completion of the Proposed Acquisition (as defined in the Company's announcement dated April 15, 2015), which is subject to a number of conditions including the Listing Committee's approval, will help the Group to create a comprehensive healthcare platform by combining its existing businesses with an undisputed market leader in healthcare product e-commerce.

  The Group plans to pursue the following business strategies after the Proposed Acquisition. The Group will:

  – integrate online and offline transaction platforms to increase the numbers and types of pharmaceutical and other healthcare products covered;

  – continue to expand its platform to serve more consumers and other participants in healthcare industry in the PRC;

  – continue to invest in its software platforms and develop more technology-based solutions and functions to help participants conduct transactions through its platform; and

  – implement cloud computing and big data strategies through the application of data analytics and in-depth learning technologies to support the continued growth of its business.

The Group expects that the combined platform will increase synergies and the Group's competitive advantages to expand further into e-commerce in the pharmaceutical and healthcare categories and to expand its offerings to healthcare industry participants across China.

EMPLOYEES AND REMUNERATION POLICIES

The number of full-time employees of the Group as at September 30, 2015 was 282 (285 as at March 31, 2015). Total staff costs of the Group for the six months ended September 30, 2015 was HK$81.8 million. All the Group's staff employed 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 which the Board may grant awards ("**Awards**") in the form of restricted share units ("**RSUs**") or share options to eligible participants, including the Directors, the directors of the Company's subsidiaries, the employees of the Group or any other persons as determined by the Board who the Board considers, in its absolute discretion, have contributed or will contribute to the success of the Group's operations. The movement of the options and RSUs granted, lapsed and outstanding under the Share Award Scheme during the period are set out in note 11 to the interim condensed consolidated financial statements.

INTERIM DIVIDEND

The Board resolved that no interim dividend be declared for the six months ended September 30, 2015 (September 30, 2014: Nil).

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

The Company has not redeemed any of its listed securities of the Company during the period under review. Neither the Company nor any of its subsidiaries has purchased or sold any listed securities of the Company during the period under review.

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 of the Company, throughout the six months ended September 30, 2015, the Company has complied with the code provisions (the "**Code Provisions**") set out in the Code on Corporate Governance Practices under Appendix 14 to the Listing Rules, except in respect of the following matters:

1. Code provision A.2.1 states that the roles of chairman and chief executive should be separated and should not be the same individual. From May 9, 2014 to April 17, 2015, Dr. Wang Jian served as the chairman of the Board and the CEO of the Company. The Board believes that it was necessary to vest the roles of the chairman of the Board and the CEO of the Company in the same person given Dr. Wang Jian's experience and established market reputation in the industry, and his importance in the strategic

development of the Company. The dual role arrangement helped to provide strong and consistent leadership and was critical for efficient business planning and decision making of the Company. As all major decisions of the Company were made in consultation with other members of the Board and the relevant Board committees, and there are three INEDs on the Board offering independent perspectives, the Board is of the view that there were adequate safeguards in place to ensure sufficient balance of powers with the Board and this deviation from the Code Provisions was therefore acceptable. With effect from April 17, 2015, Mr. Wu Yongming was appointed as the new chairman of the Board and Mr. Wang Lei was appointed as the new CEO of the Company, such that there is now a segregation of duties between the chairman and the CEO.

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 Directors' dealings in the Group's securities. In response to specific enquiries by the Company, all Directors have confirmed that they have complied with the Model Code in their securities transactions throughout the six months ended September 30, 2015.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. As at September 30, 2015, the audit committee comprises three independent non-executive directors of the Company.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended September 30, 2015 have not been audited, but have been reviewed by the audit committee of the Company and the Group's auditor, Messrs. 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, 2015 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 23, 2015

As at the date of this announcement, the Board comprises nine Directors, of which (i) two are executive Directors, namely, Ms. CHEN Xiao Ying and 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.