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, 2016

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, 2016 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, 2016

	Notes	Six months ended September 30, 2016 Unaudited RMB'000	2015 Restated and unaudited RMB'000
REVENUE	3	**55,027**	17,195
Cost of revenue		**(7,498)**	(8,533)
Gross profit		**47,529**	8,662
Operating expenses			
Fulfilment	4	**(821)**	–
Sales and marketing expenses		**(49,566)**	(51,888)
Administrative expenses		**(51,543)**	(32,126)
Product development expenses		**(50,441)**	(36,324)
Other income and gains	5	**6,143**	7,977
Finance cost		**(2,055)**	–
Other expenses		**(11,075)**	(13,427)
Share of profits or losses of:			
A joint venture	6	**4,478**	5,856
Associates	7	**2,574**	8,306
LOSS BEFORE TAX	8	**(104,777)**	(102,964)
Income tax expense	9	**(1,048)**	(830)
LOSS FOR THE PERIOD		**(105,825)**	(103,794)
Attributable to:			
Owners of the parent		**(102,398)**	(100,481)
Non-controlling interests		**(3,427)**	(3,313)
		(105,825)	(103,794)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			
– Basic and diluted	10	**RMB (1.25) cents**	RMB (1.23) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended September 30, 2016

	Six months ended September 30,	
	2016	2015
	Unaudited	Restated and unaudited
	RMB'000	*RMB'000*
LOSS FOR THE PERIOD	**(105,825)**	(103,794)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Translation of functional currency to presentation currency	**31,463**	27,545
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(74,362)**	(76,249)
Attributable to:		
Owners of the parent	**(70,935)**	(72,936)
Non-controlling interests	**(3,427)**	(3,313)
	(74,362)	(76,249)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2016

	Notes	**September 30, 2016 Unaudited** *RMB'000*	March 31, 2016 Audited *RMB'000*
NON-CURRENT ASSETS			
Property and equipment		**5,862**	6,546
Goodwill		**19,123**	–
Investment in a joint venture		**91,542**	87,064
Investments in associates		**336,376**	108,802
Restricted cash		**110,250**	–
Long-term deposit		**110,250**	110,250
Total non-current assets		**673,403**	312,662
CURRENT ASSETS			
Inventories		**7,988**	–
Trade receivables	*11*	**6,194**	106
Prepayments, deposits and other receivables		**18,523**	14,824
Restricted cash		**236,915**	–
Cash and cash equivalents		**565,485**	1,020,558
Total current assets		**835,105**	1,035,488
CURRENT LIABILITIES			
Interest-bearing bank borrowing		**608**	–
Trade payables	*13*	**10,480**	3,751
Other payables and accruals		**167,451**	55,358
Deferred revenue		**46,331**	86,873
Receipt in advance		**38,273**	39,878
Total current liabilities		**263,143**	185,860
NET CURRENT ASSETS		**571,962**	849,628
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,245,365**	1,162,290
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowing		**100,000**	–
Deferred tax liability		**7,798**	7,019
Total non-current liabilities		**107,798**	7,019
Net assets		**1,137,567**	1,155,271

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at September 30, 2016

	Notes	**September 30, 2016 Unaudited** ***RMB'000***	March 31, 2016 Audited *RMB'000*
EQUITY			
Equity attributable to owners of the parent			
Share capital	*14*	**72,381**	72,305
Treasury shares		**(29)**	–
Reserves		**1,134,731**	1,149,055
		1,207,083	1,221,360
Non-controlling interests		**(69,516)**	(66,089)
Total equity		**1,137,567**	1,155,271

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended September 30, 2016

		Attributable to owners of the parent											
	Notes	**Share capital** Unaudited *RMB'000*	**Share premium account** Unaudited *RMB'000*	**Treasury shares** Unaudited *RMB'000*	**Capital reserve** Unaudited *RMB'000*	**Contributed surplus** Unaudited *RMB'000*	**Exchange fluctuation reserve** Unaudited *RMB'000*	**Employee share-based compensation reserve** Unaudited *RMB'000*	**General reserve** Unaudited *RMB'000*	**Accumulated losses** Unaudited *RMB'000*	**Total** Unaudited *RMB'000*	**Non-controlling interests** Unaudited *RMB'000*	**Total equity** Unaudited *RMB'000*
At April 1, 2016		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 of functional currency to presentation 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	*12*	–	–	–	–	–	–	56,488	–	–	56,488	–	56,488
Exercise of share options		–	249	–	–	–	–	(79)	–	–	170	–	170
Vested awarded shares transferred to employees		47	23,706	–	–	–	–	(23,753)	–	–	–	–	–
Issue of shares		29	–	(29)	–	–	–	–	–	–	–	–	–
At September 30, 2016		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
At April 1, 2015		72,305	1,863,621	–	33,979	77,335	(29,016)	–	13,468	(706,072)	1,325,620	(58,729)	1,266,891
Loss for the period		–	–	–	–	–	–	–	–	(100,481)	(100,481)	(3,313)	(103,794)
Other comprehensive loss for the period:													
Translation of functional currency to presentation currency		–	–	–	–	–	27,545	–	–	–	27,545	–	27,545
Total comprehensive loss for the period		–	–	–	–	–	27,545	–	–	(100,481)	(72,936)	(3,313)	(76,249)
Share-based compensation expenses	*12*	–	–	–	–	–	–	4,226	–	–	4,226	–	4,226
At September 30, 2015		72,305	1,863,621	–	33,979	77,335	(1,471)	4,226	13,468	(806,553)	1,256,910	(62,042)	1,194,868

* These reserve accounts comprise the consolidated reserves of RMB1,134,731,000 (March 31, 2016: RMB1,149,055,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended September 30, 2016

		Six months ended September 30,	
		2016	2015
			Restated and
		Unaudited	unaudited
	Notes	***RMB'000***	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(104,777)**	(102,964)
Adjustments for:			
Share of profit of a joint venture	*6*	**(4,478)**	(5,856)
Share of profits or losses of associates	*7*	**(2,574)**	(8,306)
Interest income	*5*	**(5,900)**	(7,966)
Gain on disposal of items of property and equipment	*5*	**(17)**	(11)
Finance cost		**2,055**	–
Depreciation	*8*	**2,181**	1,757
Impairment of trade receivables	*8*	**1,340**	1,079
Impairment of other receivables	*8*	**–**	16
Foreign exchange difference, net		**9,735**	8,106
Share-based compensation expense	*12*	**56,488**	4,226
		(45,947)	(109,919)
Increase in trade receivables		**(7,428)**	(13,729)
Decrease/(increase) in prepayments, deposits and other receivables		**2,121**	(4,185)
Increase in inventories		**(5,040)**	–
Increase in trade payables		**4,684**	2,213
(Decrease)/increase in other payables and accruals		**(6,015)**	311
(Decrease)/increase in deferred revenue		**(40,542)**	34,481
(Decrease)/increase in receipt in advance		**(1,605)**	5,527
Exchange differences		**(2,100)**	5,638
Cash used in operations		**(101,872)**	(79,663)
Interest received		**2,673**	8,467
PRC taxes paid		**(269)**	–
Net cash flows used in operating activities		**(99,468)**	(71,196)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended September 30, 2016

	Six months ended September 30, 2016	2015
	Unaudited	Restated and unaudited
	RMB'000	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property and equipment	**(461)**	(4,054)
Proceeds from disposal of items of property and equipment	**17**	11
Decrease of non-pledged time deposits with original maturity of over three months when acquired	**296,140**	43
Increase in restricted cash	**(346,865)**	–
Acquisition of subsidiaries	**(19,675)**	–
Capital injection of an associate	**(112,500)**	–
Net cash flows used in investing activities	**(183,344)**	(4,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of options	**170**	–
Interest-bearing bank borrowing	**99,873**	–
Net cash flows generated from financing activities	**100,043**	–
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(182,769)**	(75,196)
Cash and cash equivalents at beginning of period	**714,418**	1,213,586
Effect of foreign exchange rate changes	**23,836**	17,294
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**555,485**	1,155,684
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**62,986**	71,111
Non-pledged time deposits with original maturity of three months or less when acquired	**492,499**	1,084,573
Non-pledged time deposits with original maturity over three months and within twelve months when acquired	**10,000**	4,152
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	**565,485**	1,159,836
Non-pledged time deposits with original maturity over three months and within twelve months when acquired	**(10,000)**	(4,152)
CASH AND CASH EQUIVALENTS AS STATED IN THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	**555,485**	1,155,684

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, Beijing, the People's Republic of China ("PRC").

As reported in the annual report 2016 of the Company and its subsidiaries (collectively, the "Group"), the presentation currency of the Group was changed from Hong Kong dollars ("HK$") to Renminbi ("RMB") starting from the year ended March 31, 2016. Since the Group mainly operates its business in PRC, the directors considered that it is more appropriate to use RMB as the presentation currency of the Group and the presentation of financial statements in RMB can provide more relevant information for management to control and monitor the performance and financial position of the Group.

The Company is an investment holding company. 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 August, 2016, the Group began to operate its business to customer ("B2C") pharmacy business upon the acquisition of a subsidiary. Also, with the approval of the service agreement by the Company's shareholders, the Group also started to provide certain outsourced and value-added services for certain categories 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), (collectively the "Tmall Entities") of Alibaba Group Holding Limited ("Alibaba Group").

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, 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, 2016 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, 2016.

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 12). 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 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, 2016, except in relation to the following accounting policies in connection with the new business.

* *For identification purpose only.*

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Given that the Group has started operating the B2C pharmacy business for over-the-counter drugs and other health related goods and providing outsourced and value-added services to Tmall Entities in current period, the following accounting policies in connection with the new business have been adopted:

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) B2C pharmacy business

The Group is engaged in the sale of over-the-counter drugs and other health related goods to individual customers through its online store "阿里健康大藥房" on Tmall.com (the "**Tmall**") and its offline pharmacy outlets. The revenue from B2C pharmacy business is recognised when the over-the-counter drugs and other health related goods are delivered to individual customers, either by third party couriers or at the offline outlets. Revenue from B2C pharmacy business is recorded net of discounts.

(b) Outsourced and value-added service to Tmall Entities

The Group provides outsourced and value-added service in relation to certain categories on Tmall to Tmall Entities, which includes merchants' business development, merchant customer services, marketing event planning for merchants and technical support and assistance to the Tmall Entities' business team. The revenue from those services is recognised when services are rendered and the underlying transaction of merchants who operates certain categories is completed. Such service revenue is determined as a percentage of the fees paid by the merchants to the Tmall Entities in respect of the value of completed sales of products or service under the certain categories on Tmall.

Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads cost for technical support as well as cost for marketing events.

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:

HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 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.

3 REVENUE AND SEGMENT INFORMATION

The Group is primarily engaged in the operation of PIATS principally for the drug industry in the PRC, construction of a medical services network and the pharmaceutical e-commerce business, which includes operating the B2C pharmacy business and providing outsourced and value-added services to Tmall Entities. Given that the pharmaceutical e-commerce business started in August 2016 and the medical services network as well as other business were still in an early stage of development during the period, the chief operating decision makers of the Company consider that the Group's operations currently primarily comprise one single segment, and accordingly, no segment information is presented.

An analysis of revenue is as follows:

	Six months ended September 30,	
	2016	2015
		Restated
	Unaudited	and unaudited
	RMB'000	*RMB'000*
PIATS	**48,983**	17,195
Provision of outsourced and value-added services to Tmall Entities	**3,074**	–
B2C pharmacy business	**1,380**	–
Others	**1,590**	–
Total	**55,027**	17,195

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

4 FULFILMENT

Fulfilment includes warehousing, shipping and customer services costs etc, which are associated with the Group's B2C online pharmacy business for over-the-counter drugs.

5 OTHER INCOME AND GAINS

	Six months ended September 30,	
	2016	2015
		Restated
	Unaudited	and unaudited
	RMB'000	*RMB'000*
Bank interest income	**5,900**	**7,966**
Gain on disposal of items of property and equipment	**17**	**11**
Others	**226**	**–**
	6,143	**7,977**

6 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.

* *For identification purpose only.*

7 SHARE OF PROFITS OR LOSSES OF ASSOCIATES

The Group recorded a share of loss of RMB745,000 from a 25%-owned associate, Wanliyun Medical Information Technology (Beijing) Co., Ltd* (萬里雲醫療信息科技(北京)有限公司) ("Wanliyun") for the period from acquisition date, April 22, 2016, to September 30, 2016.

The Group recorded a share of profit of RMB3,319,000 (for the six months ended September 30, 2015: RMB8,306,000) from a 30%-owned associate, Dongfang Customs Technology Company Limited* (東方口岸科技有限公司) ("Dongfang Customs") for the six months ended September 30, 2016.

8 LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Six months ended September 30,	
	2016	2015
		Restated
	Unaudited	and unaudited
	RMB'000	*RMB'000*
Cost of revenue (excluding employee benefit expense and share-based compensation expense)	**6,661**	8,392
Depreciation	**2,181**	1,757
Minimum lease payments under operating leases for office buildings	**6,467**	9,288
Impairment of trade receivables#	**1,340**	1,079
Impairment of payments and other receivables#	**–**	16
Foreign exchange differences, net#	**9,735**	12,332
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**54,665**	56,137
Pension scheme contributions	**4,461**	5,474
Share-based compensation expense	**56,488**	4,226
	115,614	65,837

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

9 INCOME TAX EXPENSE

	Six months end September 30,	
	2016	2015
		Restated
	Unaudited	and unaudited
	RMB'000	*RMB'000*
Current – Mainland China		
– Underprovision in prior years	**269**	–
Deferred	**779**	830
Total tax charge for the period	**1,048**	830

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 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%.

* *For identification purpose only.*

10 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 8,174,602,000 in issue during the period (for the six months ended September 30, 2015: 8,172,645,000).

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

11 TRADE RECEIVABLES

	September 30, 2016	March 31, 2016
	Unaudited	Audited
	RMB'000	*RMB'000*
Trade receivables	**30,227**	22,799
Impairment	**(24,033)**	(22,693)
	6,194	106

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 aged 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, 2016	March 31, 2016
	Unaudited	Audited
	RMB'000	*RMB'000*
Within 3 months	**6,194**	4
3 to 12 months	**–**	102
	6,194	106

12 SHARE-BASED COMPENSATION EXPENSE

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/conditionally granted under the Share Award Scheme during the period and their related weighted average fair values are as follows:

	Weighted average exercise price of share options *HK$ per share*	**Number of options** *'000*	**Number of RSUs** *'000*
Outstanding at April 1, 2015	–	–	–
Granted/conditionally granted during the period*	6.64	42,543	20,003
Forfeited during the period	11.35	(10,046)	(1,298)
Outstanding at September 30, 2015	5.18	32,497	18,705
Average fair value per option/ unit at September 30, 2015		RMB2.06	RMB4.20
Outstanding at April 1, 2016	**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	**5.35**	**54,563**	**41,059**
Average fair value per option/ unit at September 30, 2016		**RMB2.37**	**RMB5.05**

* 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 in accordance with the Listing Rules.

12 SHARE-BASED COMPENSATION EXPENSE (CONTINUED)

Share award scheme (continued)

For share options outstanding at the end of the reporting period, the exercise prices range from HK$5.184 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, 2016, the remaining vesting periods for the options and RSUs granted range from 1 month to 46 months.

The fair value of share options granted during the six months ended September 30, 2016 and 2015 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,	
	2016	2015
Fair value of the Company's shares at the grant date	**HK$5.320~HK$5.390**	HK$4.96
Expected volatility (%)	**70**	70
Expected dividend (%)	**0.00**	0.00
Exercise multiple	**2.2~2.8**	2.2~2.8
Exercise price	**HK$5.320~HK$5.558**	HK$5.184
Risk-free interest rate (%)	**0.96~1.31**	1.74
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 values of the RSUs granted during the six months ended September 30, 2016 and September 30, 2015 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,	
	2016	2015
		Restated
	Unaudited	and Unaudited
	RMB'000	*RMB'000*
Cost of revenue	**264**	25
Sales and marketing expense	**19,804**	1,166
Administrative expenses	**17,913**	1,757
Product development expenses	**18,438**	1,278
Fulfilment	**69**	–
Total	**56,488**	4,226

At the end of the reporting period, the Company had 54,563,000 share options and 41,059,000 RSUs outstanding under the Scheme. The exercise in full of the outstanding share options and RSUs would, under the present capital structure of the Company, result in the issue of 91,205,000 additional ordinary shares of the Company and additional share capital of approximately HK$912,000 (equivalent to approximately RMB785,000) (before issue expenses).

12 SHARE-BASED COMPENSATION EXPENSE (CONTINUED)

Share award scheme (continued)

Subsequent to the end of the reporting period, the Company granted 1,921,000 share options and 2,489,800 RSUs on October 11, 2016 and 1,923,200 RSUs on November 23, 2016 under the Share Award Scheme to eligible employees in respective of their services to the Group in the forthcoming years. These share options have an exercise price of HK$4.416 per share and vesting periods ranging from January 31, 2018 to October 10, 2020. The RSUs have vesting periods ranging from October 11, 2016 to October 10, 2020.

At the date of approval of these financial statements, the Company had approximately 53,807,000 share options and 40,451,000 RSUs outstanding under the Share Award Scheme, which represented approximately 1.2% of the Company's shares in issue as at that date.

13 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, 2016	March 31, 2016
	Unaudited	Audited
	RMB'000	*RMB'000*
Within 3 months	**2,621**	1,447
3 to 12 months	**6,377**	822
Over 12 months	**1,482**	1,482
	10,480	3,751

The trade payables are non-interest-bearing and are normally settled on terms from 30 to 180 days.

14 SHARE CAPITAL

Shares

	September 30, 2016	March 31, 2016
	Unaudited	Audited
	RMB'000	*RMB'000*
Issued and fully paid 8,181,500,508 (2015:8,172,644,639) ordinary shares of HK$0.01 each	**72,381**	72,305

14 SHARE CAPITAL (CONTINUED)

Shares (continued)

	Number of shares in issue	**Share capital**
		RMB'000
Ordinary shares of HK$0.01 each		
– At April 1, 2015 (audited)	8,172,644,639	72,305
– At September 30, 2015 (restated and unaudited)	8,172,644,639	72,305
– 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
– At September 30, 2016 (unaudited)	8,181,500,508	72,381

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 vest 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 in October 10, 2016.

15 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, 2016	March 31, 2016
	Unaudited	Audited
	RMB'000	*RMB'000*
Within one year	**13,903**	12,845
In the second to fifth year inclusive	**14,232**	15,386
	28,135	28,231

The Group leases certain of its offices buildings under operating lease arrangements, which are negotiated for terms ranging from 6 months to 54 months.

16 RELATED PARTY TRANSACTIONS

(I) Transactions with related parties:

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

	Six months ended September 30, 2016 (Unaudited) *RMB'000*	2015 (Restated and unaudited) *RMB'000*
Legal service fee paid to a subsidiary of Alibaba Group *(note i)*	**510**	510
Technical service fee payable to a subsidiary of Alibaba Group *(note ii)*	**1,222**	–
Promotion service purchased from an associate of Alibaba Group *(note iii)*	**500**	–

Note:

(i) The sharing of administrative service fees between the Group and a subsidiary of Alibaba Group was conducted on a cost basis.

(ii) The technical service fee charges were based on the direct costs incurred, plus a markup.

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

(b) On September 30, 2014, CITIC 21CN (China) Technology Co, Ltd* ("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 ended on March 31, 2016. On May 30, 2016, CITIC 21CN Technology and Alibaba Cloud entered into the Second Renewed Cloud Computing Service Agreement for a term of one year that ran retrospectively from April 1, 2016 to March 31, 2017. Further details of the transaction were set out in the announcement of the Company dated May 30, 2016. During the period, a service fee of RMB3,079,000 (six months ended September 30, 2015: RMB3,699,000) was charged by Alibaba Cloud to the Group. As at September 30, 2016, a service fee payable to Alibaba Cloud included in the Group's trade payables amounted to RMB1,805,000 (March 31, 2016: RMB120,000).

(c) On April 6, 2015, the Company resolved to conditionally grant 3,300,000 RSUs to Mr. Wang Yaqing, a director of a subsidiary of the Company, which was subsequently approved by the shareholders' special general meeting on June 12, 2015. Furthermore, on April 21, 2015, the Company granted 8,700,000 options to Mr. Wang Yaqing under the Share Award Scheme. Further details of the transaction were set out in the announcement of the Company dated April 21, 2015. Mr. Wang Yaqing resigned from the Group before accepting the grant of such RSUs. The options were also forfeited due to his resignation.

* *For identification purpose only.*

16 RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties: (continued)

(d) On September 7, 2015, the Company granted a total of 12,936,000 share options, with an exercise price of HK$5.184 per share, and conditionally granted 3,462,000 RSUs to Mr. Wang Lei, the chief executive officer and an executive director of the Company, and Ms. Ma Li, Mr. Meng Changan and Mr. Wang Peiyu, each of them either being a director of a subsidiary or certain subsidiaries of the Company, under the Share Award Scheme.

On July 29, 2016, the Company granted a total of 2,509,000 share 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 an executive director of the Company, Ms. Ma Li, Mr. Meng Changan, Mr. Wang Peiyu and Mr. Li Yipeng, 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.

The Group recognised a share-based compensation expense of approximately RMB10,764,000 (six months ended September 30, 2015: RMB1,340,000) during the period ended September 30, 2016 in respect of these grants.

(e) On March 1, 2015 and April 3, 2015, the Group entered into a promotion service agreement and a call center outsourcing service agreement with HL95 and one of its subsidiaries, pursuant to which HL95 will provide certain promotion service and call center services to the Group. On April 1, 2016 and November 1, 2016, the Group entered into a new promotion service agreement and a new call center outsourcing service agreement with HL95 and one of its subsidiaries and HL95 will continue to provide certain promotion service and call center services to the Group. The term of the agreements is one year commencing on April 1, 2016 and November 1, 2016, respectively. During the period ended September 30, 2016, service fees of RMB228,000 (six months ended September 30, 2015: RMB434,000) and RMB701,000(six months ended September 30, 2015: RMB2,025,000), respectively were charged by HL95 and one of its subsidiaries to the Group. As at September 30, 2016, promotion service fee and call center service fee payable to HL95 and one of its subsidiaries included in the Group's other payables and accruals amounted to RMB52,000 (March 31, 2016: RMB84,000) and RMB398,000 (March 31, 2016: RMB497,000), respectively.

(f) On August 24, 2016, Alibaba Health Technology (Beijing) Company Limited* (阿里健康科技(北京)有限公司), an indirectly wholly owned subsidiary of the Company, and Tmall Entities, members of Alibaba Group, have entered into a services agreement, pursuant to which the Group shall 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 completed sales of products or services under certain categories on Tmall. The transaction was approved by the Company's independent shareholders at the special general meeting. The term of the services agreement is from September 13, 2016 to March 31, 2017. For the six months ended 30 September 2016, a service income of RMB3,074,000 (six months ended September 30,2015: Nil) was charged by the Group to Tmall Entities. As at September 30, 2016, service fee receivable from Tmall Entities included in the Group's account receivables amounted to RMB3,258,000 (March 31, 2016: Nil).

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

* *For identification purpose only.*

16 RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Outstanding balances with related parties

As at September 30, 2016, other than the balances with related parties as disclosed in note 16(b)(e)(f) to the interim condensed consolidated financial statements, balances due to Alibaba Group, a subsidiary of Alibaba Group and an associate of Alibaba Group included in other payables and accruals and trade payables were approximately RMB2,698,000 (March 31, 2016: Nil) and RMB500,000 (March 31, 2016: Nil), respectively.

(III) Compensation of key management personnel of the Group

	Six months ended September 30,	
	2016	2015
		Restated
	Unaudited	and unaudited
	RMB'000	*RMB'000*
Short term employee benefits	**2,765**	4,226
Share-based compensation expenses	**10,764**	1,340
Pension scheme contributions	**94**	70
Total compensation paid to key management personnel	**13,623**	5,636

17 COMPARATIVE AMOUNTS

As further explained in note 2, due to the change of presentation currency starting from the year ended March 31, 2016, the comparative figures in the condensed consolidated financial statements have been restated from HK$ to RMB accordingly to conform with the current period's presentation.

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

18 APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on November 23, 2016.

BUSINESS REVIEW

The Group is a pharmaceutical e-commerce business operator and healthcare network services provider which seeks to utilize the most advanced information technology to offer internet-based solutions for the healthcare industry.

- **Product tracking platform**

  The Group's subsidiary, CITIC 21CN Technology, is the technical operator of the product identification, authentication and tracking system for the drug industry ("**Drug PIATS**") in the PRC. As disclosed in the Company's announcement dated July 21, 2016, the China Food and Drug Administration (the "**CFDA**") published 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**") on July 20, 2016, pursuant to which it announced certain amendments to the Good Supply Practice for Pharmaceutical Products (《藥品經營質量管理規範》) (the "**Pharmaceutical GSP**"). The Company understands that the Order No. 28 means that the use of the Drug PIATS by pharmaceutical trading enterprises will no longer be mandatory though the CFDA continues to require such enterprises to be responsible for managing tracking for their products. As the operator of the Drug PIATS, the Company continues to work on the operation and finalization of the Drug PIATS under the CFDA's direction.

  During the period, the Company has developed new market-oriented tracking solutions and launched its "碼上放心" (*Ma Shang Fang Xin*) tracking platform, offering tracking services to enterprises for the full life cycle of their products and value-added services to assist them to strengthen their operational capabilities. By leveraging on the strong calculation and data processing capability of Alibaba Cloud, the platform can process large quantities of big data and concurrently support hundreds of thousands of business users, with its sound compatibility, accessibility and security. Up to the end of the period, more than 2,000 enterprises, including those from the drug, food and nutritional supplement industries have contracted with the Company to join the "*Ma Shang Fang Xin*" platform.

  Future prospects

  The use of electronic tracking systems has been an important means for the PRC government to strengthen the administration of key products, such as drugs and food. The PRC government still requires enterprises to be responsible for adopting tracking systems for their products. The Company will utilize its previous accumulated experience in platform operations and continue to increase its investment in its market-oriented tracking system platform in the future, to build a healthcare ecosystem together with enterprises, industry associations, governments at all levels and other technical service providers, to develop tracking platform service functions for better development of the industry, and to share social responsibility for safeguarding public health.

- **Pharmaceutical e-commerce**

  On August 16, 2016, the Group completed the acquisition of 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), thereby obtaining an Internet Drug Transaction Service Qualification Certificate, allowing it to sell pharmaceutical products on the Internet to individual consumers. Since then, the Group has endeavored to develop its self-operated online over-the-counter (OTC) drug retail business. By leveraging on its operational and branding strengths as well as the solid execution capabilities of its team, the Group quickly improved its supporting systems for warehousing, logistics and customer service, driving the fast growth of its self-operated OTC drug e-commerce business. This business will quickly grow to become the most important source of operating revenue for the Group in the next stage.

  On September 13, 2016, the service agreement entered into between the Group and Zhejiang Tmall Technology Co., Ltd and Zhejiang Tmall Network Co., Ltd (both being members of Alibaba Group and collectively known as the "**Tmall Entities**") on August 24, 2016 became effective. Pursuant to the service agreement, the Group started to provide outsourced and value-added services, such as merchants' business development, merchant customer services and technical support, for certain pharmaceutical-related categories on the Tmall platform, for which the Tmall Entities shall pay service fees to the Group amounting to 21.5% of the fees paid by the merchants to the Tmall Entities. As the e-commerce business for such Tmall pharmaceutical-related categories grows, the service agreement will provide a steady and fast-growing source of revenue for the Group.

  Furthermore, the Group has taken the lead in establishing a Chinese pharmaceutical online to offline (the "**O2O**") pioneer alliance, to cooperate with more than 100 offline chain pharmacies to cover over 10,000 pharmacy outlets across more than 100 cities in China. The alliance members will work together to enhance the service capability of their pharmacies and to increase customer stickiness, as well as to transform pharmacies from sales terminals into gateways to healthy living.

  The Group will actively explore synergies among its online pharmacy, existing online merchants and the O2O alliance merchants, in a bid to realize collective growth and mutual benefit while also providing end-consumers with more products and services.

  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 endeavors to deliver a more transparent supply chain of healthcare products through Internet-based solutions, reduce information asymmetry and improve supply chain efficiency, so as to benefit all market participants and consumers. The Group will stay committed to developing a more efficient distribution network of pharmaceutical products, enhancing user experience through the use of technology and the innovation of business models, and promoting industrial transformation and upgrade.

* *For identification purpose only.*

- **Medical services network**

  During the period, the Group continued its efforts to build an Internet-based tiered medical services system. The Group organized certified doctors and pharmacists to provide online health consultation services, allowing users to easily obtain real-time professional guidance. The online hospitals established by the Group are based on real hospitals encompassing basic-level community hospitals, county and municipal-level hospitals and provincial hospitals. These online hospitals connect medical institutions from various places with patients from both urban communities and rural areas, thus facilitating medical treatment and medical professional exchange activities across different institutions and regions. Supported by telemedicine services, the Group will continue to develop its Internet-based tiered network for medical services, in a bid to provide comprehensive member services to its users.

  Future prospects

  The PRC government has implemented multiple healthcare reform initiatives to encourage tiered medical services and doctors practicing at multiple locations. The Group will continue to actively explore the catering of healthcare services to rural areas by leveraging on Taobao Rural service stations across 28 provinces, alongside Alibaba Group's e-commerce, finance, education, culture and entertainment resources at the grassroots level, in an effort to facilitate new rural development. In the future, the Group will also equip Taobao Rural service stations with intelligent devices in phases to provide chronic disease screening and management services. The move aims to further address the imbalanced distribution of medical resources between urban and rural areas and meet the increasing demand for healthcare services among the rural population.

- **Health management**

  Centered around its intelligent care program, the Group cooperated with close to 20 well-known intelligent healthcare device manufacturers/providers to launch a comprehensive health management service platform that is directly targeted at consumers. With intelligent healthcare devices recording and providing feedback on users' physical indicators in real time, the platform is able to automatically generate health trend reports and to offer remote guidance from doctors when appropriate so as to provide personalized medical services and whole-period health management for users.

  Future prospects

  The Internet, big data and various innovative technologies create more new opportunities to address medical and healthcare issues. The Group will continue to improve its health management platform through its intelligent care program, and provide full-life-cycle and round-the-clock health management services for consumers. In the future, the Group will explore with like minded parties ways to establish personalized electronic health records for the public through big data analysis and application. It will also promote integrated healthcare services throughout the full life cycle, covering prevention, treatment, rehabilitation and health management.

FINANCIAL REVIEW

The key financial figures of the Group for the six months ended September 30, 2016 and the restated comparative figures for the six months ended September 30, 2015 are summarized as follows:

	For the six months ended September 30,		
	2016	2015	Change
	Unaudited	Unaudited	
	RMB'000	*RMB'000*	%
		(Restated)	
Revenue	**55,027**	17,195	220.0
Gross profit	**47,529**	8,662	448.7
Gross profit percentage	**86.4%**	50.4%	N/A
Fulfilment	**821**	–	100.0
Sales and marketing expenses	**49,566**	51,888	(4.5)
Administrative expenses	**51,543**	32,126	60.4
Product development expenses	**50,441**	36,324	38.9
Other income and gains	**6,143**	7,977	(23.0)
Finance cost	**2,055**	–	100.0
Other expenses	**11,075**	13,427	(17.5)
Share of profit of a joint venture	**4,478**	5,856	(23.5)
Share of profits or losses of associates	**2,574**	8,306	(69.0)
Net loss attributable to owners of the parent	**102,398**	100,481	1.9
Loss per share			
Basic and diluted	**RMB1.25 cents**	RMB1.23 cents	1.6

Results

Revenue

The Group recorded revenue of RMB55,027,000 for the six months ended September 30, 2016, representing an increase of RMB37,832,000 or 220.0% when compared with that of RMB17,195,000 for the six months ended September 30, 2015. During the period, the Group continued providing services to its customers for the product identification, authentication and tracking system ("**PIATS**"). Upfront joining fees from customers are recorded as deferred revenue when the security keys are delivered to such customers. Deferred revenue balances are recognized as revenue ratably over the period during which the underlying services are provided. For the six months ended September 30, 2016, revenue from PIATS business increased by RMB31,788,000 or 184.9% to RMB48,983,000 from RMB17,195,000 for the six months ended September 30, 2015. The increase in revenue during the period was due to the rapid growth of the number of medical institutions and pharmacies which joined the PIATS in the second half of 2015.

In August 2016, the Group completed its acquisition of Guangzhou Wu Qian Nian Pharmaceutical Chain Co., Ltd.* (廣州五千年醫藥連鎖有限公司) and started its business-to-consumer (B2C) pharmacy business. Although its self-operated Alihealth Pharmacy* (阿里健康大藥房) online store was only officially launched on September 12, 2016, the online business grew rapidly since its start from scratch. Revenue from the B2C pharmacy business was RMB1,380,000 for the period. In particular, its online store revenue amounted to RMB789,000 in just over half a month. This business will quickly grow to become the most important source of operating revenue for the Company in the next stage.

On September 13, 2016, the service agreement entered into between the Group and Tmall Entities in Alibaba Group on August 24, 2016 became effective. Pursuant to the service agreement, the Group started to provide outsourced and value-added services, such as merchants business development, merchant customer services and technical support, for pharmaceutical-related categories on the Tmall platform, with corresponding service fees charged for such services. As at September 30, 2016, revenue from the relevant service fees charged by the Group amounted to RMB3,074,000 in just over half a month. As the e-commerce business for such Tmall pharmaceutical categories grows, the service agreement will provide a steady and fast-growing source of revenue for the Group.

Revenue from advertising and other business was RMB1,590,000 for the period. Although the proportion of the revenue from these new businesses is still very small, their businesses have grown rapidly and diversified the business revenue of the Group.

Gross profit percentage

The Group recorded an improved gross profit percentage of 86.4% for the six months ended September 30, 2016 as compared with that of 50.4% for the corresponding period of the preceding year. The improvement in profitability was mainly attributable to the economies of scale achieved in the operation of Drug PIATS as more medical institutions and retail pharmacies used the Drug PIATS, while most of the cost of revenue of Drug PIATS which comprised mainly of the cost of cloud computing and cloud storage services provided by Alibaba Cloud remained relatively stable.

* *For identification purpose only.*

Fulfilment

The Group started its B2C online pharmacy business for over-the-counter drugs during the period. The warehousing, shipping and customer service costs associated with this business are recorded under fulfilment expenses.

Sales and marketing expenses

Sales and marketing expenses for the six months ended September 30, 2016 were RMB49,566,000, representing a decrease of RMB2,322,000 or 4.5% as compared with that of RMB51,888,000 for the corresponding period of the preceding year. This was mainly because the Company cut its marketing expenditure for the PIATS business after the CFDA published Announcement No. 40 of 2016, as disclosed in the Company's announcement dated February 21, 2016.

Administrative expenses

Administrative expenses for the six months ended September 30, 2016 were RMB51,543,000, representing an increase of RMB19,417,000 or 60.4% as compared with that of RMB32,126,000 for the corresponding period of the preceding year. This was mainly attributable to the increase in share-based compensation expenses for management.

Product development expenses

Product development expenses for the six months ended September 30, 2016 were RMB50,441,000, representing an increase of RMB14,117,000 or 38.9% as compared with that of RMB36,324,000 for the corresponding period of the preceding year. This was mainly attributable to the increase in share-based compensation expenses for research and development related employees of the Company.

Other income and gains

For the six months ended September 30, 2016, other income and gains was RMB6,143,000, representing a decrease of RMB1,834,000 or 23.0% as compared with that of RMB7,977,000 for the corresponding period of the preceding year. This was mainly due to a decrease in interest income from time deposits.

Other expenses

Other expenses for the six months ended September 30, 2016 were RMB11,075,000, representing a decrease of RMB2,352,000 or 17.5% as compared with that of RMB13,427,000 for the corresponding period of the preceding year. The decline was mainly due to the foreign exchange losses for the six months ended September 30, 2016 of RMB9,735,000, representing a decrease of RMB2,597,000 as compared with that of RMB12,332,000 for the corresponding period of the preceding year.

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, Beijing Honglian 95 Information Industries Company Limited* (北京鴻聯九五信息產業有限公司 ("**HL95**")), which is engaged in telecommunications and information value-added services. The share of profit of HL95 for the six months ended September 30, 2016 was RMB4,478,000, representing a decrease of RMB1,378,000 or 23.5% as compared with RMB5,856,000 for the corresponding period of preceding year. The decrease in share of profit was mainly due to increased market competition which resulted in a slight decline in profit from call center operations.

Share of profits or losses of associates

Share of profits or losses of associates represented the share of net operating results of our 30%-owned associate, Dongfang Customs Technology Company Limited (東方口岸科技有限公司 ("**Dongfang Customs**")) and our 25%-owned associate, Wanliyun Medical Information Technology (Beijing) Co., Ltd* (萬里雲醫療信息科技(北京)有限公司) ("**Wanliyun**"). Dongfang Customs 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, 2016 was RMB3,319,000, representing a decrease of RMB4,987,000 or 60.0% as compared with that of RMB8,306,000 for the corresponding period of the preceding year. The decline was mainly due to the reduction in price of Dongfang Customers' security products, resulting in a substantial decline in gross margin for its operations. Wanliyun is engaged in remote medical imaging diagnosis and related services. For the six months ended September 30, 2016, share net of loss attributable to Wanliyun amounted to RMB745,000.

Net loss attributable to owners of the parent company

Net loss attributable to owners of the parent company for the six months ended September 30, 2016 was RMB102,398,000, representing an increase of RMB1,917,000 or 1.9% as compared with that of RMB100,481,000 for the corresponding period of the preceding year.

Loss per share

Basic and diluted loss per share was RMB1.25 cents for the six months ended September 30, 2016, slightly increased from RMB1.23 cents for the corresponding period of the preceding year.

* *For identification purpose only.*

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

The financial positions of the Group as at September 30, 2016 and March 31, 2016 are summarized as follows:

	September 30, 2016 *RMB'000* **Unaudited**	March 31, 2016 *RMB'000* Audited
Current assets	**835,105**	1,035,488
including		
– Bank balances and cash (including time deposits and short-term restricted funds, which are mainly denominated in Hong Kong dollars, US dollars and Renminbi)	**802,400**	1,020,558
– debtors	**20,438**	11,328
Current liabilities	**263,143**	185,860
Current ratio (Current assets/Current liabilities)	**3.17**	5.57
Quick ratio (bank balances, cash and debtors/current liabilities)	**3.13**	5.55
Shareholders' equity	**1,113,567**	1,155,271
Net gearing ratio ((bank loans-bank balances and cash)/shareholders' equity)	**N/A**	N/A

Bank balances and cash (including bank time deposits with original maturity date of more than three months and short-term restricted funds) decreased by RMB218,158,000 or 21.4% from RMB1,020,558,000 as at March 31, 2016 to RMB802,400,000 as at September 30, 2016. The decrease was mainly attributable to the deposit of RMB110,250,000 as long-term pledged deposits and RMB99,468,000 to finance the operating cash outflows of the Group during the reporting period.

The debtors increased by RMB9,110,000 or 80.4% from RMB11,328,000 as at March 31, 2016 to RMB20,438,000 as at September 30, 2016, as a result of an increase in credit sales generated from operations for Tmall platform under the service agreement and advertising business.

As at September 30, 2016, the decrease in current ratio and quick ratio was mainly attributable to a decrease in bank balances and cash. The current ratio was 3.17 (March 31, 2016: 5.57) and the quick ratio was 3.13 (March 31, 2015: 5.55).

Shareholders' equity decreased by RMB17,704,000 or 1.5% from RMB1,155,271,000 as at March 31, 2016 to 1,137,567,000 as at September 30, 2016, which was mainly due to the net loss of the Company during the period.

As at September 30, 2016, the balance of the bank loan of the Group was RMB100,608,000. As at September 30, 2016, the bank balances and cash of the Group were larger than the balance of the bank loans, hence no net gearing ratio was shown (March 31, 2016: N/A).

The Group's operations and transactions are principally located in the PRC. Other than a certain amount of bank balances and cash, most of Group's bank balances and cash are placed in fixed deposits and are denominated in Renminbi, Hong Kong dollars and US dollars, while other assets and liabilities are mainly denominated in 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 reports reviewed by the directors of the Company (the "**Directors**" and individually, a "**Director**"). 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.

EMPLOYEES AND REMUNERATION POLICIES

The number of full-time employees of the Group as at September 30, 2016 was 327 (263 as at March 31, 2016). Total staff costs of the Group for the six months ended September 30, 2016 was RMB115.6 million (RMB65.8 million for the six months ended September 30, 2015). 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 the Share Award Scheme as approved by the shareholders of the Company on November 24, 2014, pursuant to which the Board may grant Awards in the form of RSUs or Options to eligible participants, including the Directors, the directors of the Company's subsidiaries, the employees of the Group or any other persons 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 movements in the options and RSUs granted, forfeited and outstanding under the Share Award Scheme during the period are set out in note 12 of this announcement.

INTERIM DIVIDEND

The Board resolved that no interim dividend be declared for the six months ended September 30, 2016 (September 30, 2015: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities 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, 2016, the Company has complied with the code provisions (the "**Code Provisions**") set out in the Corporate Governance Code under Appendix 14 to 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 should attend general meetings and develop a balanced understanding of the views of shareholders. 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 September 12, 2016; and Mr. Tsai Chung, Joseph, Ms. Huang Aizhu, Mr. Kang Kai and Mr. Yan Xuan were not able to attend the annual general meeting of the Company held on August 18, 2016 due to their personal engagements during the meetings time.

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, 2016.

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, 2016, the audit committee comprises three independent non-executive Directors of the Company.

REVIEW OF INTERIM RESULTS

The Group's interim results for the six months ended September 30, 2016 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, 2016 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, 2016

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.