Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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, 2018

The board (the "**Board**") of directors (the "**Directors**") of Alibaba Health Information Technology Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended September 30, 2018 (the "**Reporting Period**") together with comparative figures for the corresponding period of the preceding year. The interim condensed consolidated financial statements have been reviewed by the audit committee of the Company.

HIGHLIGHTS

- For the six months ended September 30, 2018, the Group reported revenue and gross profit of RMB1,878.7 million and RMB529.1 million, representing significant year-on-year growth of 111.2% and 107.1%, respectively. Such strong growth in revenue and gross profit was mainly attributable to the rapid growth of the pharmaceutical self-operated business and pharmaceutical e-commerce platform business during the Reporting Period.

- During the Reporting Period, the Group turned an adjusted net profit (note 1) of RMB10.5 million, as compared to the adjusted net loss (note 1) of RMB34.4 million for the corresponding period of the preceding year, and net cash inflow from operating activities also substantially improved, reaching RMB302.3 million. The Group's continuously improving profitability will enable us to continue investing in medical big data, medical artificial intelligence (AI) and related areas, as well as increasing our investment in the deployment of cutting-edge and innovative businesses, including Internet healthcare business and intelligent medicine business.

- During the Reporting Period, the Group's pharmaceutical self-operated business continued to grow significantly, with revenue for the period reaching RMB1,601.1 million, representing a year-on-year increase of 100.2%. Our self-operated online stores accumulated more than 18 million annual active consumers (consumers who made one or more actual purchase(s) on the platform in the past 12 months) for the 12 months ended September 30, 2018. While growing its online business rapidly, the Group also actively made strategic deployments in the offline pharmaceutical retail market and continued to explore in depth pharmaceutical new retail business development.

- During the Reporting Period, the Group further acquired the e-commerce platform business in relation to the categories of medical devices and healthcare products, sexual health and family planning products, contact lenses, and medical and healthcare services from Alibaba Group (as defined below), and began to provide outsourced and value-added services for the nutritional products category of the Tmall platform from the Reporting Period. During the Reporting Period, the gross merchandise volume (GMV) generated by Tmall's pharmaceutical e-commerce platform ("**Tmall Pharmacy**") operated by the Group exceeded RMB25 billion, representing a year-on-year increase of over 50%. The annual active consumers of Tmall Pharmacy for the 12 months ended September 30, 2018 exceeded 100 million.

- In September 2018, the Group provided medical and healthcare services, including payment, registration and online health consultation, for over 1 million times daily on average, to users through Alipay, Taobao and other platforms. The Group has subsequently further strengthened its in-depth cooperation with Ant Small and Micro Financial Services Group Co., Ltd.^ ("**Ant Financial**"). In November 2018, the Group entered into a strategic cooperation agreement with Alipay.com Co., Ltd.^ ("**Alipay**"), a wholly-owned subsidiary of Ant Financial, pursuant to which the Group will set up an exclusive and independent healthcare channel on Alipay's user end, and will be fully responsible for managing the healthcare industry partners featured on such channel. As at September 30, 2018, Alipay had over 6,500 contracted medical institutions, including more than 2,000 grade two and grade three hospitals.

- During the Reporting Period, the Group coordinated internal and external quality resources within Alibaba Group, continued to build an AI medical system which will have real-life applications. In September 2018, the Group and Alibaba Cloud announced the co-establishment of the Alibaba Medical Artificial Intelligence System — ET Medical Brain 2.0. In October 2018, the Group and the Beijing Municipal Science and Technology Commission announced the co-establishment of the nation's first medical AI open platform for innovative applications. The Group also launched a third-party AI open application platform for the medical AI industry.

- The Board has resolved that no interim dividend be declared for the six months ended September 30, 2018.

[1] Adjusted net profit/loss is based on the loss for the corresponding reporting periods after excluding share-based compensation expenses.

KEY FINANCIAL INFORMATION

	For the six months ended September 30,		
	2018	2017	Change
	RMB'000	*RMB'000*	*%*
Revenue	**1,878,709**	889,731	111.2
— Pharmaceutical self-operated business	**1,601,072**	799,865	100.2
— Pharmaceutical e-commerce platform business	**225,170**	67,299	234.6
— Consumer healthcare business	**29,557**	13,130	125.1
— Tracking business	**18,922**	9,437	100.5
— Other innovative businesses	**3,988**	—	N/A
Gross profit	**529,144**	255,488	107.1
Gross profit margin	**28.2%**	28.7%	N/A
Loss for the period	**(89,980)**	(92,178)	(2.4)
Excluding			
— Share-based compensation expenses	**100,466**	57,736	74.0
Adjusted net profit/(loss)	**10,486**	(34,442)	N/A

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended September 30, 2018

		For the six months ended September 30,	
		2018	2017
		Unaudited	Unaudited
	Notes	***RMB'000***	*RMB'000*
REVENUE	*2*	**1,878,709**	889,731
Cost of revenue		**(1,349,565)**	(634,243)
Gross profit		**529,144**	255,488
Operating expenses			
Fulfilment	*3*	**(246,041)**	(146,850)
Sales and marketing expenses		**(156,848)**	(86,471)
Administrative expenses		**(85,985)**	(57,313)
Product development expenses		**(103,679)**	(61,377)
Other income and gains	*4*	**17,995**	17,244
Other expenses		**(20,563)**	(2,199)
Finance cost	*5*	**(4,607)**	(5,134)
Share of profits or losses of:			
Joint ventures	*6*	**8,055**	3,017
Associates	*7*	**(16,269)**	(7,976)
LOSS BEFORE TAX	*8*	**(78,798)**	(91,571)
Income tax expense	*9*	**(11,182)**	(607)
LOSS FOR THE PERIOD		**(89,980)**	(92,178)
Attributable to:			
Owners of the parent		**(84,104)**	(90,911)
Non-controlling interests		**(5,876)**	(1,267)
		(89,980)	(92,178)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*11*	**RMB(0.80) cents**	RMB(1.07) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended September 30, 2018

	For the six months ended September 30,	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
LOSS FOR THE PERIOD	**(89,980)**	(92,178)
Other comprehensive income/(loss) may be reclassified to profit or loss in subsequent periods:		
Translation from functional currency to presentation currency	**89,293**	(20,861)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**89,293**	(20,861)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(687)**	(113,039)
Attributable to:		
Owners of the parent	**5,189**	(111,772)
Non-controlling interests	**(5,876)**	(1,267)
	(687)	(113,039)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2018

	Notes	September 30, 2018 Unaudited RMB'000	March 31, 2018 Audited RMB'000
NON-CURRENT ASSETS			
Property and equipment		**6,605**	6,274
Goodwill		**19,123**	19,123
Investments in joint ventures		**84,148**	62,593
Investments in associates		**1,859,571**	950,973
Long-term receivables		**56,970**	55,921
Financial assets at fair value through profit or loss		**498,043**	—
Total non-current assets		**2,524,460**	1,094,884
CURRENT ASSETS			
Inventories		**364,484**	442,231
Trade receivables	*12*	**190,958**	91,373
Prepayments, deposits and other receivables		**100,364**	78,924
Financial assets at fair value through profit or loss		**971,194**	4,100
Restricted cash		**8,572**	2,268
Cash and cash equivalents		**1,319,081**	1,397,197
Total current assets		**2,954,653**	2,016,093
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**1,249,380**	—
Financial liabilities at fair value through profit or loss		**8,589**	—
Trade payables	*13*	**529,183**	323,310
Other payables and accruals		**908,675**	137,629
Deferred revenue		**—**	716
Receipt in advance		**121,824**	111,160
Tax payable		**17,849**	7,423
Total current liabilities		**2,835,500**	580,238
NET CURRENT ASSETS		**119,153**	1,435,855
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,643,613**	2,530,739

	September 30, 2018	March 31, 2018
	Unaudited	Audited
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Deferred tax liability	**8,672**	7,682
Total non-current liabilities	**8,672**	7,682
Net assets	**2,634,941**	2,523,057
EQUITY		
Equity attributable to owners of the parent		
Share capital	**102,610**	86,617
Treasury shares	**(5,609)**	(5,474)
Reserves	**2,601,005**	2,499,105
	2,698,006	2,580,248
Non-controlling interests	**(63,065)**	(57,191)
Total equity	**2,634,941**	2,523,057

1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

1.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended September 30, 2018 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, 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**" (which include all HKFRSs, HKASs and Interpretations).

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

The Company has set up two trusts (the "**Trusts**") 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**"). The Group has the power to govern the financial and operating policies of the Trusts 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 Trusts are included in the interim condensed consolidated statement of financial position and the shares held by the Trusts are presented as a deduction in equity as treasury shares.

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

The associates and joint ventures, except for Dongfang Customs Technology Company Limited^ (東方口岸科技有限公司) ("**Dongfang Customs**") and Beijing Honglian 95 Information Industries Company Limited^ (北京鴻聯九五信息產業有限公司) ("**HL95**"), have a financial year ending December 31, and the financial statements of these associates and joint ventures may not be available in a timely manner for the Group to apply the equity method, therefore the Group elects to record its shares of the profits or losses of these associates and joint ventures on a quarter lag basis.

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

The accounting policies adopted in, and the 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, 2018, except in relation to the following accounting policies:

The Group applies, for the first time, HKFRS 15 Revenue from Contracts with Customers and HKFRS 9 Financial Instruments. As required by HKAS 34, the nature and effect of these changes are disclosed below.

Except HKFRS 15 and HKFRS 9, the following amendments and interpretations apply for the first time during the period, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 Revenue from Contracts with Customers supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contract with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method of adoption.

The Group's principal activities consist of pharmaceutical self-operated business, operation of pharmaceutical e-commerce platform, provision of consumer healthcare services, and provision of internet-based medical services and intelligent medicine services. There is no material impact on the revenue recognition of the Group upon the adoption of HKFRS 15, except for those summarised as follows:

Presentation and disclosure

As required for the interim condensed financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The disclosure on disaggregated revenue is set out in note 2 to the interim condensed consolidated financial statements.

Impact of HKFRS 15 on the statement of financial position (increase/(decrease)) as at April 1, 2018:

	RMB'000
Liabilities	
Deferred revenue	(716)
Receipt in advance	716
Total current liabilities	—
Total liabilities	—

HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after April 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Classification and measurement

The adoption of HKFRS 9 does not have a significant impact on the classification and measurement of its financial assets. It continues measuring at fair value all financial assets currently held at fair value.

Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group applied the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months.

The Group adopted HKFRS 9 using the modified retrospective method of adoption. The implementation of HKFRS 9 does not have significant impact on the interim condensed consolidated financial statements of the Group.

2 REVENUE AND SEGMENT INFORMATION

The Group is primarily engaged in pharmaceutical self-operated business, operation of pharmaceutical e-commerce platform, provision of consumer healthcare services, and provision of internet-based medical services and intelligent medicine services. Given that the chief operating decision maker of the Company considers that the Group's business is operated and managed as a single segment of development and distribution of pharmaceutical and health food related business in the People's Republic of China ("**PRC**"), accordingly, no segment information is presented.

An analysis of revenue is as follows:

	Six months ended September 30,	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Pharmaceutical self-operated business	**1,601,072**	799,865
Pharmaceutical e-commerce platform business	**225,170**	67,299
Consumer healthcare business	**29,557**	13,130
Tracking business	**18,922**	9,437
Other innovative businesses	**3,988**	—
Total	**1,878,709**	889,731

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Six months ended September 30, 2018 (Unaudited) *RMB'000*
Type of goods or services:	
Sales of products	1,549,799
Provision of services	328,910
Total revenue from contracts with customers	1,878,709
Timing of revenue recognition:	
At a point in time	1,620,348
Over time	258,361
Total revenue from contracts with customers	1,878,709

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

3 FULFILMENT

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

4 OTHER INCOME AND GAINS

	Six months ended September 30,	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Interest income	**17,795**	6,004
Gain on disposal of items of property and equipment	**8**	1
Foreign exchange difference, net	**—**	10,980
Others	**192**	259
	17,995	17,244

5 FINANCE COST

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

6 SHARE OF PROFITS OR LOSSES OF JOINT VENTURES

The Group recorded share of losses from existing joint ventures for the six months ended June 30, 2018, except for a 49%-owned joint venture, HL95, from which the Group recorded share of profits for the six months ended September 30, 2018 and 2017. The Group also recorded share of losses of a newly acquired joint venture for the period from the acquisition date to June 30, 2018.

7 SHARE OF PROFITS OR LOSSES OF ASSOCIATES

The Group recorded share of losses from existing associates for the six months ended June 30, 2018, except for Dongfang Customs, from which the Group recorded share of profits or losses for the six months ended September 30, 2018 and 2017. The Group also recorded share of losses of newly acquired associates for the period from the acquisition date to June 30, 2018.

8 LOSS BEFORE TAX

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

	Six months ended September 30,	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Cost of goods sold*	**1,244,323**	610,683
Cost of services provided*(excluding employee benefit expense and share-based compensation expenses)	**94,923**	18,815
Depreciation	**3,050**	1,985
Minimum lease payments under operating leases for office buildings	**6,927**	6,107
Fair value loss on financial assets at fair value through profit or loss#	**1,906**	500
Impairment of inventories*	**2,393**	—
Write-off of inventories#	**354**	57
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**145,150**	89,395
Pension scheme contributions	**10,623**	6,710
Share-based compensation expense	**100,466**	57,736
	256,239	153,841
Foreign exchange differences, net	**17,886**	(10,980)

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

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

9 INCOME TAX EXPENSE

	Six months ended September 30,	
	2018	2017
	RMB'000	*RMB'000*
Current — Mainland China		
Charge for the period	**17,075**	—
(Overprovision)/underprovision in prior years	**(6,883)**	222
Deferred	**990**	385
Total tax charge for the periods	**11,182**	607

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended September 30, 2018 and September 30, 2017.

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

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

10 DIVIDENDS

The Board has resolved that no interim dividend be declared for the six months ended September 30, 2018 (For the six months ended September 30, 2017: Nil).

11 LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the period attributable to owners of the parent, and the weighted average number of ordinary shares of approximately 10,448,498,262 in issue during the period (for the six months ended September 30, 2017: 8,487,287,000).

No adjustment has been made to the basic loss per share amounts presented for the six months ended September 30, 2018 and September 30, 2017 in respect of dilution, as the impact of the share options and restricted share units outstanding had an anti-dilutive effect on the loss per share amounts presented.

12 TRADE RECEIVABLES

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, 2018 Unaudited *RMB'000*	March 31, 2018 Audited *RMB'000*
Within 3 months	**187,477**	86,531
3 to 12 months	**3,130**	4,842
1 to 2 years	**351**	—
	190,958	91,373

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, 2018	March 31, 2018
	Unaudited	Audited
	RMB'000	*RMB'000*
Within 3 months	**408,107**	274,628
3 to 12 months	**106,649**	45,438
Over 12 months	**14,427**	3,244
	529,183	323,310

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

From the beginning of 2018 until now, despite the complex and challenging international environment, our national economy remains steady with general improvement and has continued to grow within a reasonable range. China's year-on-year growth in gross domestic product (GDP) of 6.7% for the last three quarters has provided a solid foundation for the steady development of the medical and healthcare industry. According to statistics from relevant organizations, by the end of 2017, the market size of China's medical healthcare industry had already reached nearly RMB10 trillion and is expected to maintain double digit growth for the following three years.

China's pharmaceutical goods retail market size has grown steadily in recent years, with pharmaceutical retail-end sales amounting to more than RMB400 billion in 2017. According to statistics released by the China National Working Commission on Ageing, as at the end of 2017, the elderly population (over 60 years old) throughout the country had reached 240 million, accounting for 17.3% of the total population. With the intensification of China's ageing problem, the potential threat of chronic diseases to people's health has also become larger. The number of patients diagnosed with chronic disease such as cardiovascular disease, diabetes and other medical diseases in our country has already exceeded 260 million, while the fatality rate due to chronic diseases is higher than 80%. During the Reporting Period, numerous incidents have aroused interest in and heated debate over China's pharmaceutical market. The movie "Dying to Survive" (《我不是藥神》) directly criticized the current social problem of the difficulty of buying anti-cancer drugs while the Changchun Changsheng vaccine scandal once again highlighted pharmaceutical safety issues on the industry's supply side as well as medical reform. The relevant policies of "Reforming and Improving the Supply Guarantee and Use of Generic Drugs" (改革完善仿製藥供應保障及使用) and "Strengthening Drug Informatized Tracking and Supervision" (加強藥品信息化追溯建設和監管), as well as the discussion on the pilot scheme of "Quota-based Procurement" (帶量採購), have provided impetus and directed guidance for the future development of the industry. Benefiting from the dual drivers of reform on the supply side of the pharmaceutical market and the continued growth and release of needs on the demand side, China's pharmaceutical market will keep expanding and continue to maintain rapid growth amidst reform.

Numerous favorable internet healthcare industry policies were launched during the Reporting Period. The Opinions on Promoting the Development of "Internet+ Healthcare" (《關於促進「互聯網+醫療健康」發展的意見》) issued in April 2018 by the State Council effectively promote and regulate the development of the "Internet+ Healthcare" industry, while the Notice Regarding In-depth Development of Civilian-friendly and Civilian-benefiting "Internet + Healthcare" Activities (《關於深入開展"互聯網+醫療健康"便民惠民活動的通知》) jointly issued by the National Health Commission and the National Administration of Traditional Chinese Medicine in July

2018, and the implementation of the "New Regulations on Internet Consultation" (《互聯網診療新規》) in September 2018, which regulates, among other things, Internet diagnosis, remote medical services and Internet hospitals' administrative measures, will enable the downward allocation of quality medical resources from developed regions and triple-A rated hospitals, to promote the re-allocation of our national medical resources in a more reasonable direction. These also provide policy support and a development path for the healthy development of the Internet healthcare industry. At the same time, the Notice on Publication of the Administrative Measures Regarding National Health Medical Big Data Standards, and Safety and Service Management (Trial Implementation) (《關於印發國家健康醫療大數據標準、安全和服務管理辦法(試行)的通知》) published in September 2018 by the National Health Commission and the Notice on Publication of Guiding Opinions Regarding the Development of Network Payment Business by Public Hospitals (《關於印發公立醫院開展網絡支付業務指導意見的通知》) issued in October 2018, also provide wide market growth opportunities for the future development of internet and digital technology (including remote medicine, digital medical products, big data, artificial intelligence etc.).

As Chinese living standards continue to improve, the demands for healthy living based on the lifestyle concepts of preventive treatment and the pursuit of health and beauty have intensified. This new pursuit of a healthy lifestyle by consumers will enable the vigorous development of health management related medical products and services including physical examinations, vaccination and aesthetic medical services, etc. The consumer healthcare sector will thus bring enormous development opportunities for medical and healthcare enterprises.

BUSINESS REVIEW

As the pharmaceutical and healthcare flagship of Alibaba Group Holding Limited ("**Alibaba Holding**", together with its subsidiaries, "**Alibaba Group**"), the Group, whose mission is to "make good health achievable at the fingertips", has been strengthening the foundation of its pharmaceutical and healthcare businesses and actively planning for its future. With the vision of "facilitating medicine through big data and using the Internet to change the face of healthcare to provide fair, affordable and accessible medical and healthcare services to 1 billion people", the Group has been striving to expand its pharmaceutical and healthcare product and service sales business, actively build up its Internet-based medical platform, explore intelligent medicine by using AI and big data analysis technologies, and develop its consumer healthcare business.

Pharmaceutical and healthcare product and service sales business

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

During the Reporting Period, the Group established strategic partnerships with a number of well-known international pharmaceutical companies including Merck Sharp & Dohme, SANOFI, GlaxoSmithKline, AstraZeneca and Merck, and has become an important business partner of numerous pharmaceutical, nutritional and healthcare product manufacturers and major domestic pharmaceutical distributors. As at the end of the Reporting Period, the Group has been authorized to undertake the management of or open more than 30 franchised flagship stores on the Tmall Pharmacy platform, including Dong-E E-Jiao, Tong Ren Tang and other renowned national brands. These franchised flagship stores generated healthy sales during the Reporting Period.

- **Pharmaceutical self-operated business**

  During the Reporting Period, the Group's pharmaceutical self-operated business registered 100.2% year-on-year sales growth, and maintained strong growth momentum. We continued to diversify our product offerings, with a stable increase in the proportion of non-pharmaceutical product types. As at the end of the Reporting Period, there were more than 60,000 SKUs in our self-operated stores, among which products in the cosmeceutical and maternal and infant categories recorded significant sales growth. Our self-operated online stores (AliHealth Pharmacy^ (阿里健康大藥房) and AliHealth overseas flagship store (阿里健康海外旗艦店)) accumulated more than 10 million semi-annual active consumers (consumers who registered one or more actual purchases on the platform in the previous six months), suggesting more than 50% year-on-year growth. For the 12 months ended September 30, 2018, the number of annual active consumers exceeded 18 million. Since its establishment in September 2016 and till the end of the Reporting Period, AliHealth Pharmacy^ (阿里健康大藥房) received visits from more than 130 million customers. Revenue from our self-operated online stores continued to grow rapidly, fueled by the Group's operational and brand strengths as well as its business team's effective execution. Meanwhile, there was further improvement in the performance and capability of the Group's warehousing, logistics, customer service and other supporting systems and services. Following supply chain optimization and efficiency enhancement, our business team gained better quality control over the products and services provided, as well as a deeper understanding of the specific demands of different consumer groups.

  To celebrate the second anniversary of the establishment of the Group's AliHealth Pharmacy^ (阿里健康大藥房), we launched our "Super Pharmacy 1.0^ (超級藥房 1.0)" on September 12, 2018, to ensure the comprehensiveness and safety of drugs through six major operational processes, namely global sourcing, big data product selection, random inspection, monitoring at every stage, drug tracking and round-the-clock service provided by licensed pharmacists.

The Group also actively tapped into the offline pharmaceutical retail market. We made strategic investments in such regionally leading pharmaceutical retail chains as Anhui Huaren Health Pharmacy Company Limited^ (安徽華人健康医药股份有限公司), ShuYu Civilian Pharmacy Corp. Ltd.^ (漱玉平民大藥房連鎖股份有限公司), Guizhou Ensure Chain Pharmacy Company Limited^ (貴州一樹連鎖藥業有限公司), to deepen our business partnerships with them. Going forward, the Group will make concerted efforts to empower our business partners, to create an online to offline omni-channel sales network, explore a new pharmaceutical retail model, diversify pharmacy service offerings, thereby providing a better service experience to the customers.

Future prospects

The Group's self-operated pharmaceutical business shows promise for broad and sustainable growth. According to market forecasts, China's pharmaceutical retail market size will continue to grow at a rate of over 15% in the next three years (2019–2021), providing ample room for business development of enterprises in the industry. In recent years, frequent capital market activities in the national pharmacy chain market have led to faster industry consolidation. As a result, the Group will also benefit from higher market concentration. In the future, we will continue to cooperate with more domestic and overseas quality pharmaceutical companies and merchants to enrich our product categories, optimize our product mix, fully coordinate and capitalize on the traffic resources from various portals of Alibaba Group, and continuously expand our customer base and meet the personalized consumption upgrade needs of customers.

- **New retail model**

Based on meaningful takeaways from past experiences, the Group continued to explore the development strategy and path of the pharmaceutical new retail business in depth. In August 2018, the Group launched 24-hour express delivery trial services in Hangzhou to deliver drugs "within 30 minutes during the day and within 1 hour at night". Meanwhile, where emergency medication was needed, we included online consultation services with "doctors answering within 30 seconds", connecting to the Group's Internet hospital's doctor resources, with the aim of addressing users' urgent needs through the combination of consultation and medication. The successful launch of the "Hangzhou Example" was achieved through the coordination and full synergization of the Group's internal and external, online and offline quality partner resources: by receiving orders through Taobao's mobile app and offering complementary Internet medical professional consultation services, and fulfilling orders through the top offline chain pharmacies in our O2O pioneer alliance, we enhanced the "last mile" experience; and using the powerful transportation capability of "Cainiao and Fengniao" to guarantee delivery efficiency, which in turn enhanced user experience to ultimately satisfy individual consumer needs. At the same time, the low-frequency nature of drug purchases was offset by scaling operations to ensure the sustainable operation of the chain. Based on the successful experience of the Hangzhou Example, the Group also rolled out the 24/7 "emergency medication" service in Beijing, Guangzhou and Shenzhen concurrently at the end of October 2018, and will expand the service to more cities across the country in the future.

Future prospects

As a part of Alibaba Group's "Double H" strategy, Alibaba Health has always embraced its original intention of transforming pharmaceutical e-commerce through new retail, and is continuously enhancing the pharmaceutical user experience through rethinking the retail elements of people, goods and scenarios, and will continue to optimize and enhance the enterprise's operational capability to construct a conducive pharmaceutical retail business environment, and to guide the rational and healthy development of the industry.

- **Pharmaceutical e-commerce platform business**

In June 2017, the Group acquired the e-commerce platform business in relation to the category of health food from Alibaba Group. During the Reporting Period, the Group further acquired the e-commerce platform business in relation to the categories of medical devices and healthcare products, sexual health and family planning products, contact lenses, and medical and healthcare services from Alibaba Group. As at the end of the Reporting Period, the Group covers all categories of Tmall Pharmacy platform^ (天貓醫藥館) through the above acquisitions or by way of provision of outsourced and value-added services.

During the Reporting Period, the gross merchandise volume (GMV) of Tmall Pharmacy platform^ (天貓醫藥館) generated by the e-commerce platform business operated by the Group exceeded RMB25 billion, representing a year-on-year increase of over 50%. Among this, the growth of the medical devices and sexual health and family planning categories stood out. The GMV of these two categories registered more than 70% year-on-year growth during the Reporting Period, and the annual active consumers of Tmall Pharmacy platform for the 12 months ended September 30, 2018 exceeded 100 million. Meanwhile, the Group entered into an agreement with Taobao China Holding Limited in October 2018 to provide outsourced and value-added services such as merchant business development, customer service for merchants, marketing event planning and technical support for certain healthcare products on the Tmall Global platform (www.tmall.hk). The provision of outsourced and value-added services for these imported categories will help enrich the product categories provided by the Group and contribute more revenue in the future.

Future prospects

On the back of Chinese residents' increasing disposable income and growing health-related consumption expenditure, sales generated from the e-commerce platform business of Tmall Pharmacy platform^ (天貓醫藥館) will continue to grow, leading to stable growth in service fee income to be received by the Group. Following the expansion of categories owned by the Group in the e-commerce platform business, and given the faster revenue growth of the recently acquired categories among all the categories of the Tmall Pharmacy platform^ (天貓醫藥館) and the revenue contribution to the entire Reporting Period going forward, revenue from the e-commerce platform business is expected to maintain strong growth momentum.

- **Tracking business**

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

In the pharmaceutical sector, the Group is committed to building Ma Shang Fang Xin into the largest pharmaceutical cloud in China. Through the Internet of Things, the Group has worked to bring online, digitize and improve the transparency of, the pharmaceutical supply chain, and to provide basic tools and value-added services to pharmaceutical industry participants for their daily management and online and offline integration, which include drug tracking and recall, channel management, patient education, vaccine cold chain tracking and medical insurance premium control. As at the end of the Reporting Period, the number of pharmaceutical manufacturers which had signed up for the Ma Shang Fang Xin platform of the Group and renewed the agreement for product tracking continued to steadily account for 80% of the total number of pharmaceutical manufacturers in China, with over 95% coverage for key categories such as vaccines.

Future prospects

In November 2018, the State Food and Drug Administration issued the "Guiding Opinions on the Construction of the Digital Drug Tracking System" (《關於藥品信息化追溯體系建設的指導意見》), which stated the direction of "one code for each unit and concurrent tracking of unit and code". The license holders for the sale of drugs and manufacturers shall assume the primary responsibility for the construction of drug tracking systems, whereas drug trading enterprises and user units shall cooperate with drug license holders and manufacturers to establish a complete drug tracking system and fulfill their respective responsibilities for tracking. Third-party service organizations are encouraged to provide digital tracking services to enterprises. The Group's Ma Shang Fang Xin platform is very much in line with the development guidance of the national policy above. Driven by the clearer national regulatory policies and increasing consumer demand, we believe that the tracking system, which is the infrastructure of the pharmaceutical system, will capitalize on its tracking capability to provide safety and compliance, channel management and other assurance services to more pharmaceutical-related parties, and offer consumers more convenient and efficient drug information query tools.

- **Internet healthcare business**

During the Reporting Period, the Group relied on the previously established Alibaba Health Network Hospital Limited^ (阿里健康網絡醫院有限公司) to organize professionals such as medical practitioners and pharmacists to provide multi-faceted, multi-level, professional and convenient health consultation services and guidance for Taobao, Tmall and Alipay users. As at the end of the Reporting Period, approximately 24,000 medical practitioners, pharmacists and nutritionists had signed up with the Group to provide online health consultation services, with more than 14,000 of those being attending or intermediate and senior practitioners. At the same time, the Group also sought to incorporate artificial intelligence during the consultation service process to further enhance consultation efficiency and user experience.

During the Reporting Period, the Group continued to build up its medical and health popular science content. In May 2018, the Group jointly issued the "Yizhilu^ (醫知鹿)" medical think tank with government departments, medical institutions and authoritative media to address the social issue of information asymmetry between doctors and patients. "Yizhilu" covers general health areas such as disease prevention, symptom judgment, treatment planning, guidelines for visiting authoritative hospitals in the country, daily care during rehabilitation, and nutrition and diet, providing patients with comprehensive reference points for disease prevention and treatment. Since its inception, the "Yizhilu" project has garnered wide acclaim and positive cooperation among top medical experts and hospital institutions. Riding on this opportunity, the Group and its partners jointly established the "National Medical Research Institute of Wisdom of Famous Doctors^ (國家名醫智慧醫療研究院)" in July 2018. The "Yizhilu" Expert Committee covering 30 subject areas was set up and endorsed by more than 300 experts to safeguard the brand of "Yizhilu" and the accuracy of its professional content. As at the end of the Reporting Period, "Yizhilu" provided an encyclopedia covering 700 diseases, and provided medical information, advice to seek medical attention and treatment suggestions to over 10 million people in aggregate through our in-depth cooperation with UC browser.

By fully capitalizing on Alipay to provide a plethora of services to its users, the Group further strengthened its in-depth cooperation with Ant Financial. In October 2018, the Group and Alipay successfully launched China's first pilot cardless facial recognition medical service in Hangzhou and rolled out the "medical insurance settlement during consultation" service for the first time in the country, which significantly improved the operational efficiency of hospitals and user experience of receiving medical treatment. In November 2018, the Group entered into a strategic cooperation agreement with Alipay, pursuant to which, the Group will set up an exclusive and independent healthcare channel on Alipay's user end and will be fully responsible for managing healthcare industry partners featured on such channel. As at the end of the Reporting Period, Alipay had over 6,500 contracted medical institutions, including more than 2,000 grade two and grade three hospitals. During September 2018, the Group provided medical and healthcare services, including payment, registration and online consultation, over 1 million times daily on average, to users through Alipay, Taobao and other platforms, and such business has maintained a rapid growth trend.

Future prospects

During the Reporting Period, a series of favorable guiding opinions on the development of the Internet healthcare service industry was issued at the national policy level. Riding on this, the Group's Internet healthcare business will capitalize on the trend and continue to stride forward. In the future, we will use Alipay as an important foothold to fully leverage the huge synergies brought about by the complementary features and resources of Alibaba Health and Ant Financial. For online channels, we will provide more medical and healthcare products and services to more Alipay users; for offline channels, we will link up more quality medical institutions and doctor resources to help offline medical institutions to provide Internet services, which will improve their service capabilities and standards. We will focus on creating a complete loop of comprehensive medical and healthcare services by integrating online and offline resources to meet users' needs for offline medical treatment, online consultation, and convenient medical and health management. Meanwhile, we will also seek to address the issue of online payment by medical insurance through Alipay and actively prepare for the future outflow of electronic prescriptions.

Going forward, the Group will continue to promote the content construction of the "Yizhilu" project and promote and develop quality partnership resources. On this basis, we will also open "Yizhilu" as a societal application so that patients can easily access professional and objective medical knowledge on more platforms, fulfilling the Group's mission to "make good health achievable at the fingertips".

- **Intelligent medicine business**

  During the Reporting Period, the Group continued to cooperate with governments, hospitals, research institutes, colleges and other external organizations to explore the intelligent medicine business based on digital information, artificial intelligence and big data technologies. Related areas include Internet medical associations, medical research platforms, medical education scenario simulation platforms, clinical decision support systems, remote imaging platforms and solutions for blockchain data security.

  Capitalizing on its strong cloud-based medical big data mining and analytical capabilities and through internal and external cooperation, the Group is committed to building an AI medical system that will have real-life applications. In September 2018, the Group and Alibaba Cloud deepened their cooperation and announced the co-establishment of the Alibaba Medical Artificial Intelligence System — "ET Medical Brain 2.0". As the provider of the underlying technological framework of ET Medical Brain, Alibaba Cloud will be responsible for intelligent cloud development and computing power expansion; as the application developer of ET Medical Brain, Alibaba Health will undertake the research, development and application of medical artificial intelligence engines and systems. Meanwhile, we are also actively building a medical AI open platform. In October 2018, the Group and the Beijing Municipal Science and Technology Commission announced the co-establishment of the nation's first medical AI open platform for innovative applications. Together with 20 top medical institutions and AI enterprises in Beijing, we will build an open research engine base platform and engine application service center. In addition, we also launched a third-party artificial intelligence open platform for the medical AI industry, with 12 medical AI leaders including 12 Sigma and Beijing Linking Med as some of the first partners to join the platform. Our AI open platform provides a wide range of applications and services based on artificial intelligence for doctors, researchers and developers. Our partners will use this platform to increase user usage volume to obtain more medical institutions' applications and more professional technical support. The AI open platform and the existing AI medical products of Alibaba Group form the Alibaba ET Medical Brain 2.0 matrix.

  During the Reporting Period, the Group achieved a new breakthrough in the field of image detection and launched the product "Smart Lung", which is used for the detection of common lung diseases or symptoms. The product has been put into use in partner institutions, making us one of the first companies in the country to launch a comprehensive CT lung diseases detection AI product for commercial use. Based on electronic medical record data, the Group has developed a number of products for hospitals and doctors, such as a big data research platform and clinical decision-making assistance engine, which has improved the user experience of doctors and helped them to raise their professional standards and work efficiency. The Group actively tests and enhances its AI technological capabilities through practice and successfully organized an artificial intelligence contest with "Dia-Doc (瑞寧助糖)". "Dia-Doc (瑞寧助糖)" is a decision-making assistance system for diabetic prescriptions developed by the Group through cooperation with the National Metabolic Diseases Research Center. With the assistance of our AI system, the "Community Doctors" team and the "Grade Three Hospital Doctors" team were tied in the man vs machine contest. In August 2018, we also won the championship at the Chinese electronic medical records identification task at the China Conference on Knowledge Graph and Semantic Computing (CCKS 2018). Structured electronic medical records are the basis for computers to understand and make use of medical records.

Future prospects

Going forward, the Group will develop high-quality products based on its own and its partners' research and development capabilities, and actively help offline medical institutions to achieve informatization to improve operational efficiency and service experience. In addition, we will continue to deepen our research and application in the AI medical field, and continually consolidate and enhance the abilities of text structuring, image recognition, physiological signal recognition, speech and knowledge map construction, with the aim of applying ET Medical Brain 2.0 in five major scenarios, including in clinical scenarios, in scientific research, in training and teaching, in relation to hospital management, and in relation to "Future City Medical Brain"^ (未來城市醫療大腦). Working upon ET Medical Brain 2.0, we will pool superior resources and invest in the future to make technological and data breakthroughs in the healthcare industry.

- **Consumer healthcare business**

During the Reporting Period, the Group newly established a consumer healthcare business division, covering the business segments of aesthetic medicine, oral health, vaccination, physical examination, maternity and other medical and healthcare services. We are committed to forging an entire ecological chain in the industry in the long run. On this basis, we will reshape the environment of consumer healthcare and provide consumers with convenient, reliable, transparent, localized and professional medical services.

During the Reporting Period, to fully streamline the consumer healthcare industry chain, we made concurrent efforts at the upstream brand, service provider and consumer ends of the industry chain: introducing international brands including Allergan, Merck Sharp & Dohme, Invisalign and GlaxoSmithKline at the upstream supply level; linking up superior medical institutions and using the O2O model as a carrier to promote the exploration of a new retail model for online and offline integration at the service providers' level; and leveraging the huge active user base of Alibaba Group to provide consumers with feature-rich products and services at the consumer end. While promoting the transparency of the prices of goods and services, we also helped users to obtain authoritative health knowledge of relevant industries, optimize the decision-making process, and enhance online and offline user experience in the entire process.

During the Reporting Period, our "Health Infirmary^ (健康醫務室)" was launched on DingTalk. Going forward, the Group will work to provide physical examinations and other related medical and healthcare services to the numerous enterprise users on DingTalk. The GMV of the Group's consumer healthcare segment grew by more than 100% compared with the same period of last year, and the Group signed up merchants in various areas including aesthetic medical, physical examination, oral health, vaccination, maternity, reproduction and overseas medical treatment.

Future prospects

Consumer healthcare is one of the most market-oriented sectors in the medical service industry, being characterized by large market capacity, but at the same time, there is huge room to reshape the sector due to legacy problems and the specific industry characteristics. Accordingly, we will cooperate with more high-quality international brands through active merchant business development on the supply side to optimize the product portfolio. We will also continue to promote business collaboration under the Alibaba umbrella, making full use of customer portals such as mobile Taobao, Alipay and DingTalk to provide consumers and enterprises with convenient, premium and transparent medical and healthcare services. Meanwhile, we will also focus on supporting brands and merchants with strong medical technological capabilities and a reputation for good service to raise the overall service standards of the industry, establish and regulate the industry's product and service quality standards, foster a good business environment, and promote the healthier and more sustainable development of the entire industry.

FINANCIAL REVIEW

The key financial figures of the Group for the six months ended September 30, 2018 and September 30, 2017 are summarized as follows:

	For the six months ended September 30,		
	2018	2017	Change
	RMB'000	*RMB'000*	*%*
Revenue	**1,878,709**	889,731	111.2
Gross profit	**529,144**	255,488	107.1
Gross profit margin	**28.2%**	28.7%	N/A
Fulfillment	**(246,041)**	(146,850)	67.5
Sales and marketing expenses	**(156,848)**	(86,471)	81.4
Administrative expenses	**(85,985)**	(57,313)	50.0
Product development expenses	**(103,679)**	(61,377)	68.9
Other income and gains	**17,995**	17,244	4.4
Other expenses	**(20,563)**	(2,199)	835.1
Finance cost	**(4,607)**	(5,134)	(10.3)
Operating loss	**(70,584)**	(86,612)	(18.5)
Share of profits/(losses) of joint ventures	**8,055**	3,017	167.0
Share of profits/(losses) of associates	**(16,269)**	(7,976)	104.0
Loss for the period	**(89,980)**	(92,178)	(2.4)
Net loss attributable to owners of the parent	**(84,104)**	(90,911)	(7.5)
NON-HKFRS ADJUSTMENTS			
Adjusted net profit/(loss)	**10,486**	(34,442)	N/A

— **Revenue**

Revenue of the Group for the six months ended September 30, 2018 amounted to RMB1,878,709,000, representing an increase of RMB988,978,000 or 111.2% as compared to RMB889,731,000 for the six months ended September 30, 2017. The increase in revenue was attributable to the rapid growth in revenue from pharmaceutical self-operated business and pharmaceutical e-commerce platform business during the Reporting Period.

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

The pharmaceutical self-operated business of the Group comprises our self-operated B2C retail, related advertisement business and our B2B centralized procurement distribution business. During the current Reporting Period, the general revenue from pharmaceutical self-operated business reached RMB1,601,072,000, representing a year-on-year increase of 100.2%. The rapid growth in revenue was mainly due to the continual enrichment of the categories of goods sold through the Group's self-operated business, more detailed management of the self-operated business and optimization of the customer purchase experience. Continuing to strengthen our cooperation with upstream quality brands, as at the end of the Reporting Period, the Group had been authorized to undertake the management of or establish over 30 flagship stores on Tmall pharmacy platform (天貓醫藥館). The Group continues to select and procure more quality goods, and expand downstream distribution channels.

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

Our pharmaceutical e-commerce platform business comprises the e-commerce platform business relating to health food, medical devices etc. that the Group acquired from Alibaba Group, the business of providing outsourced services to Tmall pharmacy platform (in respect of categories other than those that have already been acquired) and the pharmaceutical O2O business. Following the Group's acquisition of the health food category e-commerce platform business from Alibaba Group in June 2017, in August 2018, the Group further completed its acquisition of the e-commerce platform business relating to the medical devices and healthcare products, sexual health and family planning products, contact lenses, and medical and healthcare service categories from Alibaba Group. In addition, the Group also actively expanded its pharmaceutical O2O business and efficiently connected consumers to their nearby pharmacies. During the Reporting Period, the total revenue of the above businesses amounted to RMB225,170,000, representing a year-on-year increase of 234.6%.

— ***Consumer Healthcare Business***

Noticing consumers' increasing demands for beauty and health, the Group actively cooperates with physical examination, oral health, vaccination, aesthetic medical and other medical and healthcare service organizations through its online platform and self-operated stores, to provide customers safe, professional and transparent medical healthcare services, as well as health education, consultation, reservation and other value-added services. The Group also provides integrated marketing services to many quality upstream pharmaceutical enterprises in the industry through its consumer healthcare platform, which has greatly enhanced the brand profile of Alibaba Health in the medical service industry. During the Reporting Period, the consumer healthcare business progressed steadily, with revenue attributable to the business amounting to RMB29,557,000, representing a year-on-year growth of 125.1%.

— ***Tracking Business***

During the Reporting Period, the Ma Shang Fang Xin^ (碼上放心) tracking platform, an effective solution for pharmaceutical tracking, covered 80% of pharmaceutical manufacturers in China. Revenue from the business for the Reporting Period was RMB18,922,000, representing a year-on-year increase of 100.5%.

— ***Other Innovative Businesses***

Other than the above businesses, the Group has been exploring fee models in the Internet healthcare and intelligent medicine areas. For the Reporting Period, revenue from innovative businesses of the Group, including trial sales of family doctor service cards, and the collection of partial commissions for consultations or shared answer services etc., amounted to RMB3,988,000.

— **Gross profit and gross profit margin**

The Group recorded gross profit for the six months ended September 30, 2018 of RMB529,144,000, representing an increase of RMB273,656,000 or 107.1% as compared to RMB255,488,000 for the corresponding period of the preceding year. Gross profit margin for the Reporting Period was 28.2% as compared to 28.7% for the corresponding period of the preceding year. Gross profit margin remained relatively stable.

— **Fulfillment**

Warehousing, logistics and customer service expenditures incurred by the Group's self-operated pharmaceutical business were included in fulfillment costs. Fulfillment costs for the six months ended September 30, 2018 amounted to RMB246,041,000, representing an increase of RMB99,191,000 or 67.5% from RMB146,850,000 for the corresponding period of the preceding year mainly due to the rapid growth in revenue of self-operated B2C business.

— **Sales and marketing expenses**

Sales and marketing expenses for the six months ended September 30, 2018 amounted to RMB156,848,000, representing an increase of RMB70,377,000 or 81.4% as compared to RMB86,471,000 for the corresponding period of the preceding year. Such increase was mainly due to the increase in headcount of the Group's sales and operation functions and online pharmaceutical consultancy service staff. The Group also increased promotional costs to publicize self-operated stores.

— **Administrative expenses**

The administrative expenses for the six months ended September 30, 2018 amounted to RMB85,985,000, representing an increase of RMB28,672,000 or 50.0% as compared to RMB57,313,000 for the corresponding period of the preceding year. Such increase was mainly attributable to rapid business growth which led to an increase in back-end supporting costs, travel expenses and professional costs.

— **Product development expenses**

Product development expenses for the six months ended September 30, 2018 amounted to RMB103,679,000, representing an increase of RMB42,302,000 or 68.9% as compared to RMB61,377,000 for the corresponding period of the preceding year. Such increase was mainly due to the increased headcount of the Company's research and development function. During the Reporting Period, the Group continued to recruit more information technology engineers in order to expand its Internet healthcare and intelligent medicine businesses, as well as to support the rapid growth in its pharmaceutical business and consumer healthcare businesses.

— **Other income and gains**

Other income and gains for the six months ended September 30, 2018 amounted to RMB17,995,000, representing an increase of RMB751,000 or 4.4% as compared to RMB17,244,000 for the corresponding period of the preceding year. Such increase was mainly attributable to an increase in interest income due to a slight increase in the average capital balance for the Reporting Period.

— **Finance cost**

Finance cost for the six months ended September 30, 2018 amounted to RMB4,607,000, representing a decrease of RMB527,000 or 10.3% from RMB5,134,000 for the corresponding period of the preceding year. Such decrease was mainly attributable to a decrease in the average balance of the Group's borrowings for the Reporting Period.

— **Other expenses**

Other expenses for the six months ended September 30, 2018 amounted to RMB20,563,000, representing an increase of RMB18,364,000 or 835.1% as compared to RMB2,199,000 for the corresponding period of the preceding year. Such increase was mainly due to the exchange loss of RMB17,886,000 incurred in the Reporting Period, while there was no exchange loss for the corresponding period of the preceding year.

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

Share of profits/(losses) of joint ventures represented the share of net operating results of the Group's 49%-owned joint venture, Beijing Honglian 95 Information Industries Company Limited^ (北京鴻聯九五信息產業有限公司) ("**HL95**"), 40%-owned joint venture, Yunnan Jiukangyixin Information Technology Service Company Limited^ (雲南久康一心信息技術服務有限公司), and our 45%-owned joint venture, Zhejiang Bianque Health Data Technology Company Limited^ (浙江扁鵲健康數據技術有限公司). For the six months ended September 30, 2018, share of profits of joint ventures was RMB8,055,000, representing an increase of RMB5,038,000 or 167.0% as compared to RMB3,017,000 for the preceding year. The year-on-year increase in share of profits of joint ventures was mainly due to an increased number of projects won by HL95 from financial organization clients during the Reporting Period. The Group has signed an equity transfer agreement during the Reporting Period, under which the Group has agreed to transfer its entire 49% shares of equity in HL95, so as to focus on its main businesses and optimize the allocation of the Group's internal resources.

— **Share of profits/(losses) of associates**

The Group actively invests in the healthcare sector. During the Reporting Period, the Group made active deployments in the pharmaceutical retail market through its strategic investments in regionally leading pharmaceutical retail chains such as Anhui Huaren Health Pharmacy Company Limited^ (安徽華人健康醫藥股份有限公司), Guizhou Ensure Chain Pharmacy Company Limited^ (貴州一樹連鎖藥業有限公司) to deepen our business partnerships with them and to jointly explore a new pharmaceutical retail model. Some of the associates of the Group are either under the initial stage of business development, business transformation or developing stage. The share of losses of associates for the six months ended September 30, 2018 amounted to RMB16,269,000, representing an increase in RMB8,293,000 or 104.0% from RMB7,976,000 for the corresponding period of the preceding year.

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

For the six months ended September 30, 2018, the Group's loss amounted to RMB89,980,000, representing a slight decrease of RMB2,198,000 or 2.4% as compared to RMB92,178,000 for the corresponding period of the preceding year. For the six months ended September 30, 2018, the Group's adjusted net profit amounted to RMB10,486,000, representing a turnaround with a substantial decrease of loss of RMB44,928,000 as compared to RMB34,442,000 for the corresponding period of the preceding year. The adjusted net profit was mainly attributable to the speedy growth of the Group's pharmaceutical self-operated business and pharmaceutical e-commerce platform business, as well as the contribution from the consumer healthcare business to the Group's profit. The profitability of the Group continued to improve, which has enabled us to further invest in medical artificial intelligence, big data and related areas in the future, and to further invest in and make strategic deployments in respect of forward-looking innovative businesses such as Internet healthcare and intelligent medicine.

To supplement the Group's consolidated financial statements presented in accordance with Hong Kong Financial Reporting Standards (HKFRS), the Group has also reported its adjusted net profit, which is not required under, or presented in accordance with, HKFRS, as an additional financial indicator. We are of the view that presenting the non-HKFRS indicator together with the relevant HKFRS indicator will help investors to better compare our operational performance across the various periods, without the potential impact of projects which our management considers as not indicative to our operational performance. We believe that the non-HKFRS indicator provides investors and other individuals with helpful information to understand and assess our consolidated operational results in the same way that our management does. However, the adjusted net profit we presented may not be comparable with similar indicators presented by other companies. Such non-HKFRS indicator has its limitations as an analytical tool, and you should not regard the indicator as independent from the operational results or financial position presented according to HKFRS, or as an alternative to analyze the relevant operational results or financial position. In addition, the definition of such non-HKFRS indicator may vary from those applied in other companies.

The adjusted net profits/losses for the six months ended September 30, 2018 and 2017 set out in the table below represent adjustments to the most direct and comparable financial indicator calculated and presented in accordance with HKFRS (i.e., loss for the period):

	For the six months ended September 30,	
	2018	2017
	RMB'000	*RMB'000*
Loss for the Reporting Period	**(89,980)**	(92,178)
Excluding		
— Share-based compensation	**100,466**	57,736
Adjusted net profit/(loss)	**10,486**	(34,442)

LIQUIDITY, FINANCIAL RESOURCES AND FOREIGN EXCHANGE EXPOSURES

The cash and other liquid financial resources of the Group as at September 30, 2018 and the corresponding comparative figures as at March 31, 2018 are summarized as follows:

	September 30, 2018	March 31, 2018
	RMB'000	*RMB'000*
Cash and cash equivalents	**1,319,081**	1,397,197
Short-term investment at fair value through profit or loss — financial products	**971,194**	—
Cash and other liquid financial resources	**2,290,275**	1,397,197

Cash and cash equivalents decreased by RMB78,116,000 or 5.6% from RMB1,397,197,000 as at March 31, 2018 to RMB1,319,081,000 as at September 30, 2018. Such decrease mainly reflected the cash used in the investments in associates for the Reporting Period being slightly higher than the net cash inflows generated from the Group's operating activities and the borrowing amounts from banks and Alibaba Group during the Reporting Period.

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

Cash flows of the Group for the six months ended September 30, 2018 and 2017 were as follows:

	For the six months ended September 30	
	2018	2017
	RMB'000	*RMB'000*
Net cash flows generated from/(used in) operating activities	**302,333**	(116,805)
Net cash flows used in investing activities	**(806,116)**	(320,416)
Net cash flows generated from/(used in) financing activities	**1,259,608**	(12,952)
Net increase/(decrease) in cash and cash equivalents	**755,825**	(450,173)
Cash and cash equivalents at the beginning of the period*	**508,419**	569,860
Effects of exchange rate changes	**54,837**	(10,337)
Cash and cash equivalents at the end of the period	**1,319,081**	109,350

* Cash and cash equivalents did not include the non-pledged time deposits with original maturity of longer than 3 months which amounted to RMB888,778,000.

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

For the six months ended September 30, 2018, net cash flows generated from operating activities amounted to RMB302,333,000, which was primarily attributable to our loss before income tax from continuing operations of RMB78,798,000, as adjusted by: (1) addition of non-cash items, which primarily comprised share-based compensation expense of RMB100,466,000 and foreign exchange loss of RMB17,595,000; and (2) changes in working capital, which primarily comprised an increase in trade payables of RMB205,873,000, a decrease in inventories of RMB75,000,000, an increase in other payables and accruals of RMB61,653,000, an increase in trade receivables of RMB99,585,000, and an increase in prepayments, deposits and other receivables of RMB28,423,000.

— **Net cash flows used in investing activities**

For the six months ended September 30, 2018, net cash flows used in investing activities was RMB806,116,000, which was primarily attributable to the net cash used in purchase of short-term investments measured at fair value through profit or loss of RMB969,000,000, the net cash used in purchase of long-term investments measured at fair value through profit or loss of RMB454,400,000, the net cash used in capital injection in associates and joint ventures of RMB254,626,000, and the redemption on maturity of non-pledged time deposits with original maturity longer than 3 months of RMB888,778,000.

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

For the six months ended September 30, 2018, net cash flows generated from financing activities was RMB1,259,608,000, which was primarily attributable to the increase of borrowings amounted to RMB1,249,380,000.

— **Gearing ratio**

The Group's total borrowings as at September 30, 2018 was RMB1,249,380,000. As at September 30, 2018, the Group's cash and cash equivalents exceeded the total borrowings and hence no gearing ratio was shown (March 31, 2018: Nil).

As at September 30, 2018, the Group did not have any material contingent liabilities.

The Group's operations and transactions are principally conducted in the PRC. The Group prudently managed its treasury functions and maintained a healthy liquidity position throughout the six months ended September 30, 2018. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of our assets, liabilities and other commitments can meet the Group's funding requirements from time to time. Other than a certain amount of bank balances and cash, most of the Group's bank balances and cash are placed in fixed deposits and are denominated in Hong Kong dollars, Renminbi and United States dollars, while other assets and liabilities are mainly denominated in either Hong Kong dollars or Renminbi. The Group changed its presentation currency from Hong Kong dollars to Renminbi starting from the year ended March 31, 2016 to better reflect its operations in the PRC and to be consistent with the internal reporting portfolio reviewed by the directors. The Group does not have a foreign exchange hedging policy, but the management will continue to closely monitor exchange rate fluctuations and will take appropriate measures to keep foreign exchange risk exposure to the minimum. The Group does not use any financial instruments for hedging purposes.

EMPLOYEES AND REMUNERATION POLICIES

The number of full-time employees of the Group as at September 30, 2018 was 688 (484 as at March 31, 2018). Total staff costs of the Group for the six months ended September 30, 2018 amounted to RMB256.2 million (RMB153.8 million for the six months ended September 30, 2017). All staff employed by the Group in Hong Kong participated in the Mandatory Provident Fund Scheme.

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

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

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

On May 28, 2018, the Company entered into a share purchase agreement with Ali JK Nutritional Products Holding Limited (the "**Vendor**"), a direct wholly-owned subsidiary of Alibaba Holding, pursuant to which the Company acquired a 100% equity interest in Ali JK Medical Products Limited, an offshore holding vehicle incorporated under the laws of the British Virgin Islands by the Vendor to hold the target business which comprises the ownership of all merchant relationships for the sales of certain medical devices and healthcare products, adult products and medical and healthcare services on Tmall.com and the employment relationships with the relevant marketing and operation personnel managing the relationships with these merchants. The aggregate consideration was HK$10,600,000,000 and was satisfied by the Company issuing 1,827,586,207 consideration shares to the Vendor at completion.

On June 1, 2018, Hongyun Jiukang Data Technology (Beijing) Company Limited^ (弘雲久康數據技術(北京)有限公司) ("**Hongyun Jiukang**"), Shanghai Yunxin Venture Capital Co., Ltd.^ (上海雲鑫創業投資有限公司) ("**Shanghai Yunxin**"), Hangzhou Yunting Data Technology Company Limited^ (杭州雲庭數據科技有限公司) ("**Hangzhou Yunting**") and Zhejiang Bian Que Health Data Technology Co., Ltd^ (浙江扁鵲健康數據技術有限公司) (the "**JV Company**") entered into a capital increase agreement, pursuant to which Shanghai Yunxin and Hangzhou Yunting agreed to make respective capital contributions of RMB40 million and RMB15 million in cash to the registered capital of the JV Company. Prior to the capital increase arrangement, the JV Company was indirectly wholly-owned by the Company with a registered capital is RMB45 million, which had been fully subscribed for by Hongyun Jiukang (a subsidiary of the Company). Upon completion, the registered share capital of the JV Company was increased to RMB100 million, held as to 45% by Hongyun Jiukang, 40% by Shanghai Yunxin and 15% by Hangzhou Yunting, respectively. The JV Company then ceased to be a subsidiary of the Company.

On June 25, 2018, Alibaba Health Technology (China) Company Limited^ (阿里健康科技(中國)有限公司) ("**Alibaba Health (China)**"), a subsidiary of the Company, entered into a capital increase agreement with ShuYu Civilian Pharmacy Corp. Ltd.^ (漱玉平民大藥房連鎖股份有限公司) ("**ShuYu Civilian**") and the then existing shareholders of ShuYu Civilian, pursuant to which Alibaba Health (China) agreed to inject RMB454,400,000 in cash into ShuYu Civilian, of which RMB34,080,000 shall be contributed to the increase in its registered capital, and RMB420,320,000 shall be contributed to its capital reserve. Upon completion of the aforesaid capital increase agreement, Alibaba Health (China) held 9.34% of the equity interest in ShuYu Civilian.

On August 3, 2018, Alibaba Health (Hong Kong) Technology Company Limited^ (阿里健康(香港)科技有限公司) ("**Alibaba Health (Hong Kong)**"), a subsidiary of the Company entered into an equity transfer agreement with CITIC Guoan Information Industry Co., Ltd.^ (中信國安信息產業股份有限公司) and Hongxin Chuangxin (Tianjin) Information Technology Partnership Enterprise (Limited Partnership)^ (鴻信創新(天津)信息技術合夥企業(有限合夥)) (the "**Buyers**"), pursuant to which Alibaba Health (Hong Kong) agreed to transfer entire 49% interest held in Beijing Honglian 95 Information Industries Company Limited^ (北京鴻聯九五信息產業有限公司) ("**HL95**") to the Buyers at an aggregate consideration of RMB65,988,360. Upon completion of the disposal, HL95 ceased to be a joint venture of the Company.

On August 17, 2018, Alibaba Health (China) entered into certain share purchase agreements with certain shareholders of Guizhou Ensure Chain Pharmacy Company Limited^ (貴州一樹連鎖藥業有限公司) ("**Guizhou Ensure**") (the "**Vendor Shareholders**"), under which Alibaba Health (China) conditionally agreed to purchase, and the Vendor Shareholders conditionally agreed to sell, an aggregate of 14.54% of the equity interests in Guizhou Ensure with a consideration of RMB421,758,850. In addition, Alibaba Health (China) entered into a capital increase agreement with Guizhou Ensure and the then existing shareholders of Guizhou Ensure, under which Alibaba Health (China) conditionally agreed to contribute RMB404,321,529 to the capital of the Guizhou Ensure. Following the completion of the above share purchase and capital increase agreements, Alibaba Health (China) held 25% of the total equity interests in Guizhou Ensure.

INTERIM DIVIDEND

The Board has resolved that no interim dividend be declared for the six months ended September 30, 2018 (September 30, 2017: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

In the opinion of the Board, throughout the six months ended September 30, 2018, the Company has complied with the code provisions (the "**Code Provisions**") set out in the Corporate Governance Code under Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except in respect of the following matter:

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors of the Company should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Wang Lei and Ms. Zhang Yu, being non-executive directors of the Company, were not able to attend the special general meeting of the Company held on August 1, 2018 due to conflicts of prior scheduled engagements with the meeting times. However, the Company has reported to the relevant directors on the items discussed at the general meetings and the feedback from the shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules (the "**Model Code**") to regulate the dealings of the Directors in the Company's securities. In response to specific enquiries by the Company, all Directors have confirmed that they have complied with the Model Code in their securities transactions throughout the six months ended September 30, 2018.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended September 30, 2018, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities, except that a trustee of the Share Award Scheme purchased a total of 1,684,900 shares of the Company on the market to satisfy the share awards granted to connected employees of the Company upon vesting.

REVIEW OF INTERIM RESULTS

The Group's interim results for the six months ended September 30, 2018 have not been audited, but have been reviewed by the audit committee of the Company and the independent auditor of the Company, Ernst & Young.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (www.irasia.com/listco/hk/alihealth). The interim report for the six months ended September 30, 2018 will be dispatched to shareholders of the Company and available on the above websites in due course.

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

Hong Kong, November 19, 2018

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

^ *For identification purpose only*