INTERIM REPORT 2018

AliHealth
阿里健康

ALIBABA HEALTH
Information Technology Limited
阿里健康信息技術有限公司

(Incorporated in Bermuda with limited liability)
Stock code: 00241

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. SHEN Difan (Chief Executive Officer)
Mr. WANG Qiang

Non-executive Directors
Mr. WU Yongming (Chairman)
Mr. WANG Lei
Ms. ZHANG Yu

Independent Non-executive Directors
Mr. YAN Xuan
Mr. LUO Tong
Mr. WONG King On, Samuel

Audit Committee
Mr. WONG King On, Samuel (Chairman)
Mr. YAN Xuan
Mr. LUO Tong

Remuneration Committee
Mr. YAN Xuan (Chairman)
Mr. WU Yongming
Mr. WONG King On, Samuel

Nomination Committee
Mr. WU Yongming (Chairman)
Mr. LUO Tong
Mr. WONG King On, Samuel

AUTHORIZED REPRESENTATIVES
Mr. SHEN Difan
Ms. LEW Aishan, Nicole

COMPANY SECRETARY
Ms. LEW Aishan, Nicole

LEGAL ADVISORS
H.M. Chan & Co in association with Taylor Wessing

AUDITOR
Ernst & Young
Certified Public Accountants

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Bermuda

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Hong Kong

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PRINCIPAL SHARE REGISTRAR (IN BERMUDA)
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Canon's Court
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Hamilton HM 12
Bermuda

BRANCH SHARE REGISTRAR (IN HONG KONG)
Tricor Secretaries Limited
Level 22, Hopewell Centre
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Hong Kong

PRINCIPAL BANKERS
China CITIC Bank International Limited
The Hongkong and Shanghai Banking Corporation Limited
China Merchants Bank Co., Ltd.

COMPANY WEBSITE
www.irasia.com/listco/hk/alihealth/

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 six months ended September 30, 2018 (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.

For details of charges on the Group's assets, please refer to Note 15 to the Group's condensed consolidated financial statements for the six months ended September 30, 2018.

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.

DIRECTORS

The Directors during the period and up to the date of this report were:

Executive Directors:

Mr. Shen Difan (Chief Executive Officer)
Mr. Wang Qiang (appointed on July 20, 2018)

Non-executive Directors:

Mr. Wu Yongming (Chairman)
Mr. Wang Lei
Ms. Zhang Yu
Mr. Kang Kai (retired on July 20, 2018)

Independent Non-executive Directors:

Mr. Yan Xuan
Mr. Luo Tong
Mr. Wong King On, Samuel

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

The change in information of the Directors pursuant to Rule 13.51B(1) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") since the date of the Company's 2018 annual report dated May 16, 2018 up to the date of this report is as below:

On July 20, 2018, Mr. Wang Qiang was appointed as an executive Director of the Company.

Mr. Kang Kai retired as non-executive Director at the conclusion of annual general meeting held on July 20, 2018.

SHARE AWARD SCHEME

At the special general meeting of the Company held on November 24, 2014 (the "**Adoption Date**"), the shareholders of the Company approved the adoption of a new share award scheme (the "**Share Award Scheme**"). Unless terminated earlier by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date. The Share Award Scheme shall remain in effect until November 23, 2024. The validity period of the options granted under the Share Award Scheme shall be ten years from the date of grant and the options shall lapse upon the expiry of the validity period.

Pursuant to the terms of the Share Award Scheme, the Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each employee determined by the Board from time to time) select an employee or any other person for participation in the Share Award Scheme and determine the number of shares to be awarded (the "**Share Awards**"). 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 specific mandate granted and renewed by shareholders at the annual general meeting of the Company held on July 26, 2017 (the "**2017 Specific Mandate**"), authorized the Board to exercise all the powers of the Company to grant Share Awards. Such specific mandate lapsed at the conclusion of the annual general meeting of the Company held on July 20, 2018, when the specific mandate was then renewed by the approval of the shareholders of the Company (the "**2018 Specific Mandate**"). As at September 30, 2018, Share Awards in respect of a total of 278,704,801 underlying shares, which represent 2.39% of the Company's total issued shares as at September 30, 2018, remain available to be granted under the Share Award Scheme under the 2018 Specific Mandate.

Details of the options and restricted share units ("**RSUs**") granted and outstanding under the Share Award Scheme are as below:

Name of option holders/ grantees of RSU	Nature	Number of shares represented by options or RSUs outstanding at March 31, 2018	Date of grant/ conditional grant	Granted during the period	Exercise price *(HK$)*	Options exercised during the period	Options or RSUs lapsed/ cancelled during the period	RSUs vested during the period	Number of shares represented by options or RSUs outstanding at September 30, 2018
Directors of the Company									
Mr. SHEN Difan	Options	–	June 8, 2018[1]	8,190,000	7.240	–	–	–	8,190,000
	RSUs	–	June 8, 2018[17]	1,170,000	–	–	–	–	1,170,000
Mr. WANG Qiang	Options	4,000,000	October 10, 2017[2]	–	4.400	–	–	–	4,000,000
	RSUs	900,000	October 10, 2017[17]	–	–	–	–	–	900,000
	RSUs	–	June 8, 2018[17]	300,000	–	–	–	–	300,000
Mr. WANG Lei	Options	7,491,000	September 7,2015[3]	–	5.184	–	–	–	7,491,000
	RSUs	642,000	September 7, 2015[17]	–	–	–	–	321,000	321,000
	Options	1,141,000	July 29, 2016[4]	–	5.558	–	–	–	1,141,000
	RSUs	285,000	July 29, 2016[17]	–	–	–	–	95,000	190,000
	RSUs	4,121,250	June 14, 2017[17]	–	–	–	–	480,750	3,640,500
Mr. KANG Kai (Retired on July 20, 2018)	RSUs	296,000	October 10, 2017[17]	–	–	–	222,000	74,000	–
Employees	Options	14,636,250	September 7, 2015[5]	–	5.184	3,011,500[18]	521,750	–	11,103,000
	RSUs	2,369,250	September 7, 2015[17]	–	–	–	39,750	1,186,250	1,143,250
	Options	86,000	October 20, 2015[6]	–	5.550	21,500[18]	–	–	64,500
	RSUs	897,850	October 20, 2015[17]	–	–	–	385,110	–	512,740
	Options	3,324,000	April 28, 2016[7]	–	5.320	433,500[18]	199,000	–	2,691,500
	RSUs	4,025,940	April 28, 2016[17]	–	–	–	140,320	1,841,185	2,044,435
	Options	14,607,100	July 29, 2016[8]	–	5.558	1,074,250[18]	1,620,500	–	11,912,350
	RSUs	8,220,850	July 29, 2016[17]	–	–	–	832,200	3,139,000	4,249,650
	Options	1,021,000	October 11, 2016[9]	–	4.416	–	–	–	1,021,000
	RSUs	362,300	October 11, 2016[17]	–	–	–	19,600	35,700	307,000
	RSUs	685,500	November 23, 2016[17]	–	–	–	25,300	213,400	446,800
	Options	4,813,000	February 2, 2017[10]&[11]	–	3.626	–	–	–	4,813,000
	RSUs	2,852,000	February 2, 2017[17]	–	–	–	150,000	58,000	2,644,000
	Options	116,000	February 22, 2017[11]&[12]	–	3.610	–	–	–	116,000
	RSUs	1,437,900	February 22, 2017[17]	–	–	–	–	560,600	877,300
	Options	3,523,000	June 14, 2017[13]	–	3.902	–	–	–	3,523,000
	RSUs	24,531,150	June 14, 2017[17]	–	–	–	1,556,250	5,599,300	17,375,600
	Options	14,418,000	August 3, 2017[14]	–	3.686	394,250[18]	4,238,000	–	9,785,750
	RSUs	7,852,425	August 3, 2017[17]	–	–	–	1,419,250	1,401,975	5,031,200
	Options	7,739,000	October 10, 2017[15]	–	4.400	–	1,476,000	–	6,263,000
	RSUs	7,694,500	October 10, 2017[17]	–	–	–	738,000	952,400	6,004,100
	Options	929,000	February 1, 2018[16]	–	4.140	–	–	–	929,000
	RSUs	3,480,932	February 1, 2018[17]	–	–	–	–	623,511	2,857,421
	RSUs	–	June 8, 2018[17]	41,953,576	–	–	1,899,380	542,352	39,511,844
	RSUs	–	July 31, 2018[17]	16,698,000	–	–	327,000	640,000	15,731,000

Notes:

(1) The closing price per Share is HK$7.34 as stated in the daily quotation sheets issued by the Stock Exchange on June 7, 2018, being the trading day immediately before the date of grant. The options granted to Mr. SHEN Difan on June 8, 2018 shall vest in accordance with vesting schedule as follows:

(i) as to 50% of the options granted shall vest on April 30, 2020;

(ii) as to 25% of the options granted shall vest on April 30, 2021; and

(iii) as to 25% of the options granted shall vest on April 30, 2022.

(2) The closing price per Share is HK$4.01 as stated in the daily quotation sheets issued by the Stock Exchange on October 9, 2017, being the trading day immediately before the date of grant. The options granted to Mr. WANG Qiang on October 10, 2017 shall vest in accordance with vesting schedule as follows:

(i) as to 50% of the options granted shall vest on October 10, 2019;

(ii) as to 25% of the options granted shall vest on October 10, 2020; and

(iii) as to 25% of the options granted shall vest on October 10, 2021.

(3) The closing price per Share is HK$5.02 as stated in the daily quotation sheets issued by the Stock Exchange on September 4, 2015, being the trading day immediately before the date of grant. The options granted to Mr. WANG Lei on September 7, 2015 shall vest in accordance with vesting schedule as follows:

(i) as to 50% of the options granted shall vest on April 30, 2017;

(ii) as to 25% of the options granted shall vest on April 30, 2018; and

(iii) as to 25% of the options granted shall vest on April 30, 2019.

(4) The closing price per Share is HK$5.55 as stated in the daily quotation sheets issued by the Stock Exchange on July 28, 2016, being the trading day immediately before the date of grant, and the options granted to Mr. WANG Lei on July 29, 2016 shall vest in 4 tranches of 25% each on July 31 of 2017, 2018, 2019 and 2020, respectively.

(5) The closing price per Share is HK$5.02 as stated in the daily quotation sheets issued by the Stock Exchange on September 4, 2015, being the trading day immediately before the date of grant. The options granted on September 7, 2015 to the employees shall vest on or before October 10, 2019.

(6) The closing price per Share is HK$5.69 as stated in the daily quotation sheets issued by the Stock Exchange on October 19, 2015, being the trading day immediately before the date of grant. The options granted to the employees on October 20, 2015 shall vest in accordance with vesting schedule as follows:

(i) as to 50% of the options granted shall vest on October 10, 2017;

(ii) as to 25% of the options granted shall vest on October 10, 2018; and

(iii) as to 25% of the options granted shall vest on October 10, 2019.

(7) The closing price per Share is HK$5.23 as stated in the daily quotation sheets issued by the Stock Exchange on April 27, 2016, being the trading day immediately before the date of grant, and the options granted to the employees on April 28, 2016 shall vest on or before April 30, 2020.

(8) The closing price per Share is HK$5.55 as stated in the daily quotation sheets issued by the Stock Exchange on July 28, 2016, being the trading day immediately before the date of grant, and the options granted to the employees on July 29, 2016 to the employees shall vest on or before July 31, 2020.

(9) The closing price per Share is HK$4.30 as stated in the daily quotation sheets issued by the Stock Exchange on October 7, 2016, being the trading day immediately before the date of grant, and the options granted to the employees on October 11, 2016 shall vest on or before October 10, 2020.

(10) The closing price per Share is HK$3.59 as stated in the daily quotation sheets issued by the Stock Exchange on February 1, 2017, being the trading day immediately before the date of grant.

(11) The options granted to the employees on February 2, 2017 and February 22, 2017 respectively shall vest in accordance with vesting schedule as follows:

  (i) as to 50% of the options granted shall vest on January 21, 2019;

  (ii) as to 25% of the options granted shall vest on January 31, 2020; and

  (iii) as to 25% of the options granted shall vest on January 31, 2021.

(12) The closing price per Share is HK$3.62 as stated in the daily quotation sheets issued by the Stock Exchange on February 21, 2017, being the trading day immediately before the date of grant.

(13) The closing price per Share is HK$3.92 as stated in the daily quotation sheets issued by the Stock Exchange on June 13, 2017, being the trading day immediately before the date of grant, The options granted to the employees on June 14, 2017 shall vest in accordance with vesting schedule as follows:

  (i) as to 50% of the options granted shall vest on April 30, 2019;

  (ii) as to 25% of the options granted shall vest on April 30, 2020; and

  (iii) as to 25% of the options granted shall vest on April 30, 2021.

(14) The closing price per Share is HK$3.63 as stated in the daily quotation sheets issued by the Stock Exchange on August 2, 2017, being the trading day immediately before the date of grant, and the options granted on August 3, 2017 to the employees shall vest on or before July 31, 2021.

(15) The closing price per Share is HK$4.01 as stated in the daily quotation sheets issued by the Stock Exchange on October 9, 2017, being the trading day immediately before the date of grant, and the options granted to the employees on October 10, 2017 shall vest on or before October 10, 2021.

(16) The closing price per Share is HK$4.09 as stated in the daily quotation sheets issued by the Stock Exchange on January 31, 2018, being the trading day immediately before the date of grant, and the options granted to the employees on February 1, 2018 shall vest on or before January 31, 2022.

(17) The RSUs granted typically shall vest in the Grantees within four years from the date of grant.

(18) The weighted average closing price of the Shares immediately before the dates on which the options granted to the employees were exercised (calculated by the closing price per Share as stated in the daily quotation sheets issued by the Stock Exchange) is HK$6.80 per Share.

The Company estimated the fair value of its share options using the binomial model, which requires the Group to make estimates about inputs, such as expected volatility, expected dividend yield, exercise multiple, risk-free interest rate and expected forfeiture rate, and hence such estimate is subject to subjectivity and uncertainty. For the accounting policy adopted for the Share Awards and the estimated fair value of the options granted during the six months ended September 30, 2017 and 2018, respectively, please refer to note 2.4 to the Group's consolidated financial statements for the year ended March 31, 2018 and Note 18 to the condensed consolidated financial statements for the six months ended September 30, 2018.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the section titled "Connected Transactions" of the Company's annual report dated May 16, 2018, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the period under review.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at September 30, 2018, the interests and short positions of the Directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in shares and underlying shares of the Company

	Number of ordinary shares and underlying shares held, capacity and nature of interest		
Name of Director	**Nature of interest**	**Total interest in shares**	**Percentage of the Company's share capital**
Mr. SHEN Difan	Equity derivative interests *(Note 1)*	9,360,000	0.08%
Mr. WU Yongming	Beneficial owner	1,262,000	0.01%
Mr. WANG Qiang	Equity derivative interests *(Note 2)*	5,200,000	0.04%
Mr. WANG Lei	Beneficial owner and equity derivative interests *(Note 3)*	15,150,000	0.13%

Note 1: Subject to vesting, Mr. SHEN Difan is interested in 9,360,000 shares underlying the 8,190,000 options and 1,170,000 RSUs granted to him in accordance with the Share Award Scheme adopted by the Company at the special general meeting held on November 24, 2014.

Note 2: Subject to vesting, Mr. WANG Qiang is interested in 5,200,000 shares underlying the 4,000,000 options and 1,200,000 RSUs granted to him in accordance with the Share Award Scheme adopted by the Company at the special general meeting held on November 24, 2014.

Note 3: Mr. WANG Lei beneficially held 2,366,500 ordinary shares and subject to vesting, he is interested in 12,783,500 shares underlying the 8,632,000 options and 4,151,500 RSUs granted to him in accordance with the Share Award Scheme adopted by the Company at the special general meeting held on November 24, 2014.

Long positions in shares and underlying shares of Alibaba Holding, an associated corporation of the Company within the meaning of Part XV of the SFO

Name of Director	Nature of interest	Number of shares/ underlying shares held	Approximate percentage of issued shares of associated corporation
Mr. SHEN Difan	Beneficial owner, equity derivative interests and interests of spouse[(1)]	43,725	0.00%
Mr. WANG Qiang	Equity derivative interests[(2)]	3,000	0.00%
Mr. WANG Lei	Beneficial owner, equity derivative interests and interests of spouse[(3)]	263,390	0.01%
	Beneficiary of a trust[(4)]	20,000	0.00%
Mr. WU Yongming	Beneficial owner and interests of spouse[(5)]	231,017	0.01%
	Interests in controlled corporation[(6)]	200,000	0.01%
	Founder of a discretionary trust[(7)]	6,463,690	0.25%
Ms. ZHANG Yu	Beneficial owner and equity derivative interests[(8)]	57,521	0.00%
Mr. YAN Xuan	Beneficial owner	2,000	0.00%

Notes:

(1) It represents 21,064 ordinary shares or underlying ordinary shares and 13,000 restricted share units beneficially held by Mr. SHEN Difan and 9,661 ordinary shares or underlying shares and restricted share units held by his spouse.

(2) It represents 3,000 restricted share units beneficially held by Mr. WANG Qiang.

(3) It represents 44,517 ordinary shares or underlying ordinary shares and 214,500 restricted share units (including 200,000 investment units) beneficially held by Mr. WANG Lei and 4,373 ordinary shares or underlying shares and restricted share units held by his spouse.

(4) It represents 20,000 ordinary shares or underlying ordinary shares held by a private trust whereby Mr. WANG Lei and his family are beneficiaries.

(5) It represents 31,017 ordinary shares held by Mr. WU Yongming, and 200,000 ordinary shares held by his spouse.

(6) It represents 200,000 ordinary shares or underlying ordinary shares held by Plus Force Enterprise Ltd. (which is wholly owned by Mr. WU Yongming).

(7) It represents 6,463,690 ordinary shares or underlying held by Mr. WU Yongming through two private trusts whereby he is the founder of the discretionary trusts.

(8) It represents 3,787 ordinary shares or underlying ordinary shares and 53,734 restricted share units beneficially held by Ms. ZHANG Yu.

Save as disclosed above, as at September 30, 2018, none of the Directors and chief executive had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at September 30, 2018, the following interests and short positions of 5% or more of the share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions:

Name	Notes	Capacity and nature of interest	Number of shares/ underlying shares	% of the issued share capital of the Company
Perfect Advance Holding Limited	(1)	Beneficial owner	4,420,628,008	37.86%
Alibaba Group Holding Limited	(1)	Interest of controlled corporation	7,878,139,215	67.48%
Alibaba Investment Limited	(1)	Interest of controlled corporation	4,420,628,008	37.86%
Innovare Tech Limited	(1)	Persons acting in concert	4,420,628,008	37.86%
Yunfeng Fund II, L.P.	(1)	Persons acting in concert	4,420,628,008	37.86%
Yunfeng Investment GP II, Ltd.	(1)	Interest of controlled corporation	4,420,628,008	37.86%
Yunfeng Investment II, L.P.	(1)	Interest of controlled corporation	4,420,628,008	37.86%
Mr. Yu Feng	(1)	Interest of controlled corporation	4,420,628,008	37.86%
Mr. Ma Yun	(1)	Interest of controlled corporation	4,420,628,008	37.86%
Ali JK Nutritional Products Holding Limited	(1)	Beneficial owner	3,457,511,207	29.61%
Uni-Tech International Group Limited	(2)	Beneficial owner	777,484,030	6.66%
21 CN Corporation	(2)	Interest of controlled corporation	777,484,030	6.66%
Pollen Internet Corporation	(2)	Interest of controlled corporation	777,484,030	6.66%
Ms. Chen Xiao Ying	(2)	Interest of controlled corporation	777,484,030	6.66%

Notes:

(1) Perfect Advance Holding Limited ("**Perfect Advance**") holds 4,420,628,008 shares.

Perfect Advance is owned by Alibaba Investment Limited ("**AIL**") as to 70.21% and Innovare Tech Limited ("**Innovare**") as to 29.79%. Perfect Advance is a party to the shareholders agreement dated April 30, 2014 entered into with AIL and Innovare which constitutes a concert party agreement for the purpose of section 317(1)(a) of the SFO. (Please refer to the circular of the Company dated March 21, 2014 for the details of the said shareholders agreement.)

AIL is wholly-owned by Alibaba Holding. Innovare is wholly controlled by Yunfeng Fund II, L.P., which is a direct wholly-owned subsidiary of Yunfeng Investment II, L.P. and an indirect wholly-owned subsidiary of Yunfeng Investment GP II, Ltd.. Yunfeng Investment GP II, Ltd. is owned by Mr. Ma Yun as to 40% and Mr. Yu Feng as to 60%. Accordingly, each of Yunfeng Fund II, L.P., Yunfeng Investment II, L.P., Yunfeng Investment GP II, Ltd., Mr. Ma Yun and Mr. Yu Feng are also deemed to have an interest in the 4,420,628,008 shares via Perfect Advance within the meaning of Part XV of the SFO.

Ali JK Nutritional Products Holding Limited ("**Ali JK**") holds 3,457,511,207 shares. Ali JK is owned by Alibaba Holding as to 100%. Therefore Alibaba Holding is deemed to have an interest in an aggregate of 5,608,128,008 shares via Perfect Advance and Ali JK within the meaning of Part XV of the SFO.

(2) Uni-Tech International Group Limited holds 777,484,030 shares and is wholly-owned by 21 CN Corporation. 21 CN Corporation is wholly-owned by Pollen Internet Corporation, which is wholly-owned by Ms. Chen Xiao Ying.

Save as disclosed above, as at September 30, 2018, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section titled "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

INTERIM DIVIDEND

The board of the directors (the "**Directors**") of the Company (the "**Board**") resolved that no interim dividend be declared for the six months ended September 30, 2018 (September 30, 2017: Nil).

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

During the six months ended September 30, 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed 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 from the market to satisfy the Share Awards granted to connected employees of the Company upon vesting.

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, 2018, 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 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 meeting and the feedback from the shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated interim financial information of the Group for the six months ended September 30, 2018 has been reviewed by the audit committee of the Company and the Group's auditor, Messrs. Ernst & Young.

Hong Kong
November 19, 2018

EY 安永

TO THE BOARD OF DIRECTORS OF ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 32 to 70, which comprises the interim condensed consolidated statement of financial position of Alibaba Health Information Technology Limited (the "**Company**") and its subsidiaries as at September 30, 2018 and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

November 19, 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended September 30, 2018

		Six months ended September 30,	
		2018	2017
		Unaudited	Unaudited
	Notes	***RMB'000***	*RMB'000*
REVENUE	*3*	**1,878,709**	889,731
Cost of revenue		**(1,349,565)**	(634,243)
Gross profit		**529,144**	255,488
Operating expenses			
Fulfillment	*4*	**(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	*5*	**17,995**	17,244
Other expenses		**(20,563)**	(2,199)
Finance cost	*6*	**(4,607)**	(5,134)
Share of profits or losses of:			
Joint ventures	*7*	**8,055**	3,017
Associates	*8*	**(16,269)**	(7,976)
LOSS BEFORE TAX	*9*	**(78,798)**	(91,571)
Income tax expense	*10*	**(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	*12*	**RMB(0.80) cents**	RMB(1.07) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended September 30, 2018

	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	13	**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	14	**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	15	**1,249,380**	—
Financial liabilities at fair value through profit or loss		**8,589**	—
Trade payables	16	**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

As at September 30, 2018

	Notes	**September 30, 2018 Unaudited *RMB'000***	March 31, 2018 Audited *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	*17*	**102,610**	86,617
Treasury shares	*17*	**(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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended September 30, 2018

		Attributable to owners of the parent												
	Notes	Share capital RMB'000	Share premium account RMB'000	Treasury share RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Employee share-based compensation reserve RMB'000	General reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At April 1, 2017		72,481	1,907,220	(91)	–	25,037	77,335	83,410	104,282	13,468	(1,105,306)	1,177,836	(58,174)	1,119,662
Loss for the period		–	–	–	–	–	–	–	–	–	(90,911)	(90,911)	(1,267)	(92,178)
Other comprehensive loss for the period:														
Translation from functional currency to presentation currency		–	–	–	–	–	–	(20,861)	–	–	–	(20,861)	–	(20,861)
Total comprehensive loss for the period		–	–	–	–	–	–	(20,861)	–	–	(90,911)	(111,772)	(1,267)	(113,039)
Issue of new shares for an acquisition under common control	*21(a)*	10,300	3,821,342	–	(3,828,605)	–	–	–	–	–	–	3,037	–	3,037
Repurchase of shares	*17*	–	–	(7,790)	–	–	–	–	–	–	–	(7,790)	–	(7,790)
Share-based compensation expenses	*18*	–	–	–	–	–	–	–	57,736	–	–	57,736	–	57,736
Vested awarded shares transferred to employees	*18*	–	42,231	2,690	–	–	–	–	(44,921)	–	–	–	–	–
Transfer of share-based compensation reserve of options forfeited after vesting date		–	–	–	–	–	–	–	(4,918)	–	4,918	–	–	–
Deemed interest of an interest-free loan to a non-wholly owned subsidiary		–	–	–	–	(31)	–	–	–	–	–	(31)	31	–
Share of capital reserve of an associate		–	–	–	–	3,563	–	–	–	–	–	3,563	–	3,563
At September 30, 2017 (unaudited)		82,781	5,770,793*	(5,191)	(3,828,605)*	28,569*	77,335*	62,549*	112,179*	13,468*	(1,191,299)*	1,122,579	(59,410)	1,063,169

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended September 30, 2018

		Attributable to owners of the parent												
	Notes	Share capital *RMB'000*	Share premium account *RMB'000*	Treasury share *RMB'000*	Merger reserve *RMB'000*	Capital reserve *RMB'000*	Contributed surplus *RMB'000*	Exchange fluctuation reserve *RMB'000*	Employee share-based compensation reserve *RMB'000*	General reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At April 1, 2018		86,617	7,255,519*	(5,474)	(3,828,605)*	28,557*	77,335*	13,660*	142,480*	13,468*	(1,203,309)*	2,580,248	(57,191)	2,523,057
Loss for the period		–	–	–	–	–	–	–	–	–	(84,104)	(84,104)	(5,876)	(89,980)
Other comprehensive loss for the period:														
Translation from functional currency to presentation currency		–	–	–	–	–	–	89,293	–	–	–	89,293	–	89,293
Total comprehensive loss for the period		–	–	–	–	–	–	89,293	–	–	(84,104)	5,189	(5,876)	(687)
Issue of new shares		20	–	(20)	–	–	–	–	–	–	–	–	–	–
Issue of new shares for an acquisition under common control	21(b)	15,932	12,554,598	–	(12,569,162)	–	–	–	–	–	–	1,368	–	1,368
Repurchase of shares	17	–	–	(10,861)	–	–	–	–	–	–	–	(10,861)	–	(10,861)
Share-based compensation expenses	18	–	–	–	–	–	–	–	100,466	–	–	100,466	–	100,466
Vested awarded shares transferred to employees	18	–	52,737	10,746	–	–	–	–	(63,483)	–	–	–	–	–
Exercise of share options	17	41	32,899	–	–	–	–	–	(11,851)	–	–	21,089	–	21,089
Transfer of share-based compensation reserve of options forfeited after vesting date		–	–	–	–	–	–	–	(264)	–	264	–	–	–
Deemed interest of an interest-free loan to a non-wholly owned subsidiary		–	–	–	–	(2)	–	–	–	–	–	(2)	2	–
Share of capital reserve of an associate		–	–	–	–	509	–	–	–	–	–	509	–	509
At September 30, 2018 (unaudited)		102,610	19,895,753*	(5,609)	(16,397,767)*	29,064*	77,335*	102,953*	167,348*	13,468*	(1,287,149)*	2,698,006	(63,065)	2,634,941

* These reserve accounts comprise the consolidated reserves of RMB2,601,005 (March 31, 2018: RMB2,499,105,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended September 30, 2018

		Six months ended September 30,	
		2018	2017
		Unaudited	Unaudited
	Notes	***RMB'000***	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(78,798)**	(91,571)
Adjustments for:			
Share of profits or losses of joint ventures	*7*	**(8,055)**	(3,017)
Share of profits or losses of associates	*8*	**16,269**	7,976
Interest income	*5*	**(17,795)**	(6,004)
Fair value loss on financial assets at fair value through profit or loss	*9*	**1,906**	500
Gain on disposal of items of property and equipment	*5*	**(8)**	(1)
Finance cost	*6*	**4,607**	5,134
Depreciation	*9*	**3,050**	1,985
Impairment of inventories	*9*	**2,393**	—
Write-off of inventories	*9*	**354**	57
Foreign exchange difference, net		**17,595**	(13,229)
Share-based compensation expense	*18*	**100,466**	57,736
		41,984	(40,434)
Increase in trade receivables		**(99,585)**	(27,606)
Increase in prepayments, deposits and other receivables		**(28,423)**	(36,127)
Decrease/(increase) in inventories		**75,000**	(122,013)
Increase in restricted cash		**(6,304)**	—
Increase in long-term receivables		**(240)**	—
Increase in trade payables		**205,873**	64,703
Increase in other payables and accruals		**61,653**	17,727
Increase in receipt in advance		**9,948**	17,281
Exchange differences		**16,856**	2,707
Cash generated from/(used in) operations		**276,762**	(123,762)
Interest received		**25,337**	2,340
Dividend received from investment in an associate		**—**	4,839
PRC taxes refund/(paid)		**807**	(222)
Withholding taxes paid		**(573)**	—
Net cash flows generated from/(used in) operating activities		**302,333**	(116,805)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended September 30, 2018

	Six months ended September 30,	
	2018	2017
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Net cash flows generated from/(used in) operating activities	**302,333**	(116,805)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property and equipment	**(3,409)**	(3,957)
Purchase of financial assets at fair value through profit or loss	**(1,423,400)**	(85,000)
Proceeds from disposal of items of property and equipment	**41**	10
Withdrawal of non-pledged time deposits with original maturity longer than 3 months	**888,778**	–
Increase in pledged deposits	**–**	(45,881)
Capital injection in associates	**(254,626)**	(185,588)
Deemed disposal of a subsidiary	**(5,000)**	–
Capital injection of a joint venture	**(8,500)**	–
Net cash flows used in investing activities	**(806,116)**	(320,416)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of shares	**(10,861)**	(7,790)
Proceeds from exercise of options	**21,089**	–
Bank loans and other borrowings	**1,249,380**	–
Interest paid	**–**	(5,162)
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 beginning of period	**508,419**	569,860
Effect of foreign exchange rate changes	**54,837**	(10,337)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,319,081**	109,350
Cash and bank balances	**1,208,878**	61,338
Non-pledged time deposits with original maturity of three months or less when acquired	**110,203**	48,012
CASH AND CASH EQUIVALENTS AS STATED IN THE INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AND CASH FLOWS	**1,319,081**	109,350

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2018

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 17th Floor, Building B, Greenland Center, Hong Tai Dong Jie, Wanjing, Chaoyang District, Beijing, the People's Republic of China ("**PRC**").

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "**Group**") are primarily engaged in pharmaceutical self-operated business, operation of pharmaceutical e-commerce platform and provision of consumer healthcare services, and provision of internet-based medical services and intelligent medicine services.

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

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended September 30, 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**", note 20). 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.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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.

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

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

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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 contracts 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 3 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	–

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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.

3 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 innovation 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, (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.

4 FULFILLMENT

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

5 OTHER INCOME AND GAINS

	Six months ended September 30,	
	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

6 FINANCE COST

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

7 SHARE OF PROFITS OR LOSSES OF JOINT VENTURES

The Group recorded share of losses from existing joint ventures for the six months ended June 30, 2018, except for a 49%-owned joint venture, HL95, from which the Group recorded share of profit 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.

8 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.

9 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 asset 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 *(note 18)*	**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.

10 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.

11 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).

12 LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the period attributable to owners of the parent, and the weighted average number of ordinary shares of approximately 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.

13 INVESTMENTS IN ASSOCIATES

	September 30, 2018	March 31, 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Share of net assets	**759,513**	426,215
Goodwill on acquisition	**1,100,058**	524,758
	1,859,571	950,973

Note i: On May 17, 2018, Alibaba Health Technology (China) Co., Ltd.^ ("阿里健康科技(中國)有限公司") ("**Alibaba Health (China)**"), an indirect wholly owned subsidiary of the Group, entered into a capital injection agreement and a shareholders agreement with Anhui Huaren Health Pharmaceutical Co., Ltd.^ ("安徽華人健康醫藥股份有限公司") ("**Huaren**"), a company established in the PRC with limited liability, and shareholders of Huaren ("**Original Shareholders**"), pursuant to which Alibaba Health (China) agreed to inject RMB133.3 million in cash to Huaren, of which RMB11.1 million would be contributed to the Huaren's registered capital, and RMB122.2 million would be contributed to its capital reserve. Upon completion of the acquisition on May 31, 2018, Huaren was held as to 90% by Original Shareholders and 10% by Alibaba Health (China).

The cash consideration of RMB133.3 million was fully paid during the six months ended September 30, 2018.

Note ii: On August 17, 2018, Alibaba Health (China) entered into a capital injection agreement with Guizhou Ensure Chain Pharmacy Company Limited^ ("貴州一樹連鎖藥業有限公司") ("**Ensure**"), a company established in the PRC with limited liability, pursuant to which Alibaba Health (China) agreed to inject approximately RMB404.3 million in cash to Ensure, of which approximately RMB2.5 million would be contributed to Ensure's registered capital, and approximately RMB401.8 million would be contributed to its capital reserve.

A deposit and a cash consideration of approximately RMB10.0 million and RMB111.3 million were paid on April 24, 2018 and September 20, 2018 respectively, and the remaining consideration of RMB283.0 million was included in other payables and accruals as at September 30, 2018 and was subsequently paid on October 9, 2018.

On the same day, Alibaba Health (China) entered into a share purchase agreement with certain original shareholders of Ensure to purchase certain equity interests of Ensure from these shareholders, for a total cash consideration of approximately RMB421.8 million in cash. The cash consideration of approximately RMB421.8 million was included in other payables and accruals as at September 30, 2018, of which approximately RMB360.8 million was subsequently paid on October 9, 2018.

Upon completion of the transactions on September 29, 2018, Ensure was held as to 75% by the original shareholders and 25% by Alibaba Health (China).

14 TRADE RECEIVABLES

	September 30, 2018 Unaudited *RMB'000*	March 31, 2018 Audited *RMB'000*
Trade receivables	**183,278**	79,556
Bills receivable	**34,250**	38,387
	217,528	117,943
Impairment	**(26,570)**	(26,570)
	190,958	91,373

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

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

	September 30, 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

15 INTEREST-BEARING BANK AND OTHER BORROWINGS

	September 30, 2018 Unaudited		
	Effective interest rate *(%)*	**Maturity**	***RMB'000***
Current			
Other loans — unsecured *(note i)*	**4.39**	**On demand**	**1,000,000**
Bank loans — secured *(note ii)*	**3.87/3.92**	**November 2018**	**249,380**
			1,249,380

	September 30, 2018 Unaudited ***RMB'000***
Analysed into:	
Bank loans and other borrowings repayable:	
Within one year	**1,249,380**

There was no interest-bearing bank and other borrowings as at March 31, 2018.

Note i: Zhejiang Tmall Technology Co., Ltd.^ (浙江天貓技術有限公司) provided loans amounting to RMB300,000,000 and RMB700,000,000 to the Group on June 25, 2018 and September 19, 2018, respectively. Interest expense of approximately RMB4,604,000 was accrued and recorded in other payables and accruals as at September 30, 2018.

Note ii: The bank loans were secured by the pledge of certain of the Group's financial assets at fair value through profit or loss amounting to RMB260,000,000.

16 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 Unaudited ***RMB'000***	March 31, 2018 Audited *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.

17 SHARE CAPITAL

Shares

	September 30, 2018 Unaudited ***RMB'000***	March 31, 2018 Audited *RMB'000*
Issued and fully paid		
11,677,513,599 (March 31, 2018: 9,842,737,787) ordinary shares of HK$0.01 each	**102,610**	86,617

17 SHARE CAPITAL (CONTINUED)

Shares (continued)

	Number of shares in issue	Share capital	Treasury shares
		RMB'000	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)
Ordinary shares of HK$0.01 each			
— At April 1, 2017	8,192,736,918	72,481	(91)
— Repurchase of shares *(note a)*	—	—	(7,790)
— Vested awarded shares transferred to employees *(note b)*	—	—	2,690
— Issue of shares *(note c)*	1,187,500,000	10,300	—
— At September 30, 2017	9,380,236,918	82,781	(5,191)
— At April 1, 2018	**9,842,737,787**	**86,617**	**(5,474)**
— Exercise of share options *(note d)*	**4,935,000**	**41**	**—**
— Repurchase of shares *(note e)*	**—**	**—**	**(10,861)**
— Vested awarded shares transferred to employees *(note f)*	**—**	**—**	**10,746**
— Issue of shares *(note g)*	**1,827,586,207**	**15,932**	**—**
— Issue of shares for RSU *(note h)*	**2,254,605**	**20**	**(20)**
— At September 30, 2018	**11,677,513,599**	**102,610**	**(5,609)**

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

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

Note c: On June 30, 2017, 1,187.5 million shares of HK$0.01 each were issued to a related company. Please refer to note 23(b) for further information.

Note d: Certain employees exercised share options from May 2018 to September 2018. The total number of options exercised is 4,935,000.

Note e: In July 2018, August 2018 and September 2018, a total of 1,684,900 ordinary shares were repurchased from the market at a total consideration of HK$12,453,244 (approximately to RMB10,861,000) for restricted share units to be vested on April 30, 2018, July 31, 2018 and in future period.

17 SHARE CAPITAL (CONTINUED)

Shares (continued)

Note f: On April 30, 2018 and July 31, 2018, a total of 16,582,071 treasury shares were transferred to owners of vested restricted share units.

Note g: On August 2, 2018, 1,827.6 million shares of HK$0.01 each were issued to a related company. Please refer to note 23 for further information.

Note h: On September 11, 2018, 2,254,605 shares of HK$0.01 each were issued for restricted share units vested in future period.

18 SHARE-BASED COMPENSATION COSTS

Share award scheme

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

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

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

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

18 SHARE-BASED COMPENSATION COSTS (CONTINUED)

Share award scheme (continued)

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

	Weighted average exercise price of options *HK$ per share* (unaudited)	Number of options *'000* (unaudited)	Number of RSUs *'000* (unaudited)
Outstanding at April 1, 2017	5.12	58,701	44,914
Granted during the period	3.73	18,320	41,774
Forfeited during the period	4.95	(8,583)	(9,013)
Exercised or transferred during the period	5.18	(38)	(5,466)
Outstanding at September 30, 2017	4.77	68,438	67,356
Average fair value per option/RSU at September 30, 2017		RMB2.09	RMB3.63
Outstanding at April 1, 2018	**4.69**	**77,844**	**70,655**
Granted during the period	**7.24**	**8,190**	**60,122**
Forfeited during the period	**4.33**	**(8,055)**	**(7,754)**
Exercised or transferred during the period	**5.16**	**(4,935)**	**(17,764)**
Outstanding at September 30, 2018	**4.98**	**73,044**	**105,258**
Average fair value per option/RSU at September 30, 2018		**RMB2.12**	**RMB4.95**

For options outstanding at the end of the reporting period, the exercise prices range from HK$3.610 to HK$7.240. The exercise period of the options is from the vesting date to 10 years from the grant date. As at September 30, 2018, the remaining vesting periods for the options and RSUs granted range from 1 month to 46 months.

18 SHARE-BASED COMPENSATION COSTS (CONTINUED)

Share award scheme (continued)

The fair value of options granted during the six months ended September 30, 2018 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,	
	2018 (Unaudited)	2017 (Unaudited)
Fair value of the Company's shares at the grant date	**HK$7.24**	HK$3.57~HK$3.80
Expected volatility *(%)*	**75**	65
Expected dividend *(%)*	**0.00**	0.00
Exercise multiple	**1.5**	2.2
Exercise price	**HK$7.240**	HK$3.686~HK$3.902
Risk-free interest rate *(%)*	**2.28**	1.15
Forfeiture rate *(%)*	**20**	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, 2018 and September 30, 2017 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,	
	2018 Unaudited *RMB'000*	2017 Unaudited *RMB'000*
Cost of revenue	**3,969**	1,650
Sales and marketing expense	**28,994**	12,657
Administrative expenses	**35,319**	24,362
Product development expenses	**26,719**	16,152
Fulfillment	**5,465**	2,915
	100,466	57,736

18 SHARE-BASED COMPENSATION COSTS (CONTINUED)

Share award scheme (continued)

At the end of the reporting period, the Company had 73,044,000 options and 105,258,000 RSUs outstanding under the Share Award Scheme. The exercise in full of the outstanding options and RSUs would, under the present capital structure of the Company, result in the issue of 163,687,000 additional ordinary shares of the Company and additional share capital of HK$1,637,000 (equivalent to approximately RMB1,376,000) (before issue expenses), the purchase of approximately 9,489,000 existing shares from the market and release of approximately 5,126,000 treasury shares. The purchase of 9,489,000 existing shares was for RSUs of connected persons of the Group to be vested.

Subsequent to the end of the reporting period, on October 10, 2018, the Company granted 8,363,864 RSUs under the Share Award Scheme to eligible employees in respect of their services to the Group. The RSUs shall vest within four years from October 10, 2018. The price of the Company's shares at the date of grant was HK$6.67 per share.

19 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, 2018 Unaudited *RMB'000*	March 31, 2018 Audited *RMB'000*
Within one year	**23,673**	8,648
In the second to fifth year inclusive	**45,550**	6,991
	69,223	15,639

The Group leases certain of its offices buildings and warehouses under operating lease arrangements, which are negotiated for terms ranging from 6 months to 60 months.

20 COMMITMENTS

In addition to the operating lease commitments detailed in note 19 above, the Group had the following capital commitments at the end of the reporting period.

	September 30, 2018	March 31, 2018
	Unaudited	Audited
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Capital injection in investees	**81,500**	62,000
	81,500	62,000

21 BUSINESS COMBINATIONS UNDER COMMON CONTROL

The Group adopts merger accounting for common control combinations in respect of the following transactions which occurred during the six months ended September 30, 2017 and 2018:

(a) Business combination I

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

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

21 BUSINESS COMBINATIONS UNDER COMMON CONTROL (CONTINUED)

(a) Business combination I (continued)

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

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

(b) Business combination II

On August 2, 2018, the Group acquired 100% equity interest in Ali JK Medical Products Limited and its subsidiaries, Ali JK Medical Products (HK) Limited, and Hangzhou Hengping Health Technology Co., Ltd^ (杭州衡憑健康科技有限公司), (collectively referred to as the "**Ali JK Medical Products Group**") from Ali JK Nutritional Products Holding Limited, or the "Vendor", a direct wholly-owned subsidiary of Alibaba Holding. As the Company and Ali JK Medical Products Group are under the common control of Alibaba Holding before and after the acquisition, the business combination has been accounted for in the interim condensed consolidated financial statements of the Group as a business combination under common control using merger accounting.

The consideration amounting to HK$10,600 million was satisfied by the Company issuing 1,827.6 million shares on August 2, 2018 to the Vendor. The fair value of these consideration shares was HK$14,419.7 million (approximately to RMB12,570.5 million) based on the market price of HK$7.89 per ordinary shares as at August 2, 2018. The difference of RMB12,569.1 million between the fair value of consideration shares issued of approximately RMB12,570.5 million and the carrying amount of approximately RMB1.4 million of the net asset of Ali JK Medical Products Group at acquisition date is recognised in merger reserve. Ali JK Medical Products Group was established by the Vendor to hold the business (the "**Target Business II**") which comprises: (i) all merchant relationships with the target merchants for the promotion and distribution of medical devices and healthcare products, adult products and medical and healthcare services (the "**Target Products**") on Tmall.com and (ii) certain relevant marketing and operations personnel managing the relationships with the target merchants. The Target Business II earns commissions from merchants when sales of Target Products on Tmall.com are completed.

Since the acquisition, Ali JK Medical Products Group contributed RMB98,467,000 to the Group's revenue and consolidated profit of RMB27,740,000 to the consolidated loss for the six months ended September 30, 2018.

22 RELATED PARTY TRANSACTIONS

(I) Transactions with related parties:

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transaction.

	Notes	**2018 *RMB'000* Unaudited**	2017 *RMB'000* Unaudited
Services received from related parties:			—
Share based compensation expenses attributable to connected persons	*(i)*	**(14,707)**	(15,323)
Cloud computing services received from Alibaba Cloud	*(ii)*	**(2,355)**	(3,046)
Services received from a joint venture	*(iii)*	**(5,626)**	(4,825)
Internet information and other related services received from relevant entities of Alibaba Group	*(iv)*	**(44,629)**	(26,474)
Shared services received from Alibaba Group	*(v)*	**(10,999)**	(9,295)
Marketing services received from a subsidiary of Alibaba Holding	*(vi)*	**(11,661)**	(1,840)
Logistics and warehouse services received from a subsidiary of Alibaba Holding	*(vii)*	**(13,662)**	(10,314)
Payment services received from Alipay	*(viii)*	**(7,661)**	(1,932)
Technical services received from Tmall Entities@ regarding Blue Cap Health Food	*(ix)*	**(23,050)**	(7,933)
Technical services received from Tmall Entities regarding medical devices, healthcare products, adult products, and medical and healthcare services	*(x)*	**(47,926)**	—
Services and products provided to related parties:			
Incentive fee received from a subsidiary of Alibaba Holding	*(vi)*	**152**	—
Outsourced and value-added services provided to Tmall Entities	*(xi)*	**80,025**	49,594
Tracking related services provided to a subsidiary of Alibaba Holding	*(xii)*	**2,965**	3,080
Products provided to an associate	*(xiii)*	**12,206**	—
Others:			
Interest income from a joint venture	*(xiv)*	**809**	822
Deemed disposal of 55% of equity interest in a subsidiary through a capital increase	*(xv)*	**55,000**	—

@ 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)

22 RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties: (continued)

Notes:

(i) On June 14, 2017, the Company granted a total of 6,415,000 RSUs to Mr. Wang Lei, the former CEO of the Company, and certain employees of the Group, each of them either being a director of a subsidiary or certain subsidiaries of the Company, under the Share Award Scheme.

On October 10, 2017, the Company granted a total of 296,000 RSUs to Mr. Kang Kai, the non-executive director of the Company under the Share Award scheme. Further details of the transaction were set out in the announcement of the Company dated October 10, 2017.

On June 8, 2018, the Company granted 8,190,000 Options to Mr. Shen Difan, the Chief Executive Officer of the Company and an executive director, and hence a connected person of the Company under the Share Award Scheme. Further details of the transaction were set out in the announcement of the Company dated June 8, 2018.

(ii) On March 13, 2017, Alibaba Health Technology (China) Co., Ltd.^ (阿里健康科技(中國)有限公司), an indirectly wholly-owned subsidiary of the Company, and Alibaba Cloud Computing Ltd.^ (阿里雲計算有限公司) ("**Alibaba Cloud**") entered into the Third Renewed Cloud Computing Service Agreement for a term of one year, commencing from April 1, 2017 to March 31, 2018, pursuant to which Alibaba Cloud provided certain cloud computing services to the Group. Further details of the transactions were set out in the announcement of the Company dated March 13, 2017. On February 14, 2018, the same parties entered into a Fourth Renewed Agency Agreement for a term of one year, which runs from April 1, 2018 to March 31, 2019. Further details of the transaction were set out in the announcement of the Company dated February 14, 2018.

(iii) On April 3, 2017, September 1, 2017, and October 27, 2017, the Group entered into certain promotion service agreements and call center outsourcing service agreements with HL95 and one of its subsidiaries, pursuant to which HL95 will provide certain promotion service and call center services to the Group. The terms of the agreements are approximately one year commencing on the agreement date. On August 3, 2018, Alibaba China Co., Ltd.^ (阿里巴巴中國有限公司), on behalf of its related parties including the Group, entered into a call center service outsourcing agreement with HL95. The term of the agreement is approximately one year commencing on the agreement date.

(iv) On December 31, 2016, the Company, Alibaba.com China Limited^ (阿里巴巴網絡中國有限公司), and Taobao China Holding Limited^ entered into a service framework agreement, pursuant to which relevant entities[#] of Alibaba Group will provide to the Group internet information related software technical services and other related services. The contract commenced from March 11, 2017, being the date following approval at the special general meeting on March 10, 2017 and ended on March 31, 2018. On February 14, 2018, the term of the service framework agreement was renewed to one year commencing on April 1, 2018 to March 31, 2019. For the period ended September 30, 2018, a service fee of RMB51,466,000 (for the six months ended September 30, 2017: RMB30,741,000) was charged to the Group. 21.5% of the part of the above-mentioned service fee was paid to Alibaba Health Technology (China) Co., Ltd.^ (阿里健康科技(中國)有限公司), an indirectly wholly-owned subsidiary of the Company. A net service fee of RMB44,629,000 (2017: RMB26,474,000) was recorded in the consolidated statement of profit or loss. Further details of the transaction were set out in the announcement of the Company February 14, 2018. The transaction was approved by the Company's independent shareholders at a special general meeting.

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

22 RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties: (continued)

Notes: (continued)

(v) On July 3, 2017, the Company entered into the Shared Service Agreement with Alibaba Holding, pursuant to which Alibaba Holding shall procure the Alibaba Service Providers* to provide to the Group the shared services for a term of one year with retrospective effect from April 1, 2017 to March 31, 2018. On February 14, 2018, the Renewed Agency Agreement for a term of one year, which runs from April 1, 2018 to March 31, 2019. Further details of the transaction were set out in the announcement of the Company February 14, 2018.

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

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

On June 28, 2017, Alibaba Health (Hong Kong) Technology Company Limited, which holds 100% shares of Alibaba Health Technology (China) Co., Ltd.^ (阿里健康科技(中國)有限公司) and Alimama entered into the Renewed Agency Agreement for a term of one year, which runs retrospectively from April 1, 2017 to March 31, 2018. Further details of the transaction were set out in the announcement of the Company dated June 28, 2017.

On February 14, 2018, Alimama and the Company entered into an advertising services framework agreement for a term of one year from April 1, 2018 to March 31, 2019. Further details of the transaction were set out in the announcement of the Company dated February 14, 2018. The transaction was approved by the Company's independent shareholders at a special general meeting.

On April 20, 2018, Alimama, Shanghai Quam Tudou Cultural Communications Company Limited^ (上海全土豆文化傳播有限公司) and Alibaba Health (HK) entered into a second renewed agency agreement for a term of one year retrospectively from April 1, 2018 to March 31, 2019. Further details of the transaction were set out in the announcement of the Company dated April 20, 2018.

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

On February 14, 2018, the same parties entered into the Renewed Service Agreement for a term of one year, which runs retrospectively from April 1, 2018 to March 31, 2019. Further details of the transaction were set out in the announcement of the Company dated February 14, 2018. The transaction was approved by the Company's independent shareholders at a special general meeting.

22 RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties: (continued)

Notes: (continued)

(viii) On September 20, 2017, the Company (for itself and on behalf of its subsidiaries) entered into the Payment Service Framework Agreement with Alipay.com Co., Ltd.^ (支付寶(中國)網絡技術有限公司) ("**Alipay**")^, a wholly-owned subsidiary of Ant Small and Micro Financial Services Group Co., Ltd.^ (浙江螞蟻小微金融服務集團股份有限公司)) ("**Ant Financial**"), a company incorporated in the PRC with limited liability, which together with its subsidiaries have been deemed by the Stock Exchange as connected persons of the Company on July 10, 2017, pursuant to which Alipay will provide payment services and the Group will pay service fees. The term of the Payment Service Framework Agreement is from July 10, 2017 to March 31, 2018. On February 14, 2018, same parties entered into the Payment Service Framework Agreement for a term of one year, which runs from April 1, 2018 to March 31, 2019. Further details of the transaction were set out in the announcement of the Company dated February 14, 2018. The transaction was approved by the Company's independent shareholders at a special general meeting.

(ix) On May 18, 2017, Hangzhou Hengping Information Technology Co., Ltd.^ (杭州衡平信息科技有限公司) entered into the Framework Technical Services Agreement with the Tmall Entities, pursuant to which the Tmall Entities will continue to provide technical support, internet information services and secondary domain names and other services for the operation of the Target Business I as described in note 21(a) on Tmall.com. The Tmall Entities charged service fees of 50% of total software service fees received by the Target Business I from the relevant merchants on Tmall.com. The Framework Technical Services Agreement was approved by the independent shareholders at the special general meeting, and the term of the Framework Technical Services Agreement commenced on the day following the completion of business acquisition under common control as described in note 21(a) and will end on March 31, 2020. Further details of the transaction were set out in the announcement of the Company dated May 19, 2017.

(x) On May 28, 2018, Hangzhou Hengping Health Technology Co., Ltd.^ (杭州衡憑健康科技有限公司) entered into the Framework Technical Services Agreement with the Tmall Entities, pursuant to which the Tmall Entities will continue to provide software technical services, internet information services and secondary domain names and other services for the operation of the Target Business II as described in note 21(b) on Tmall.com. The Tmall Entities charged service fees of 50% of total software service fees received by the Target Business II from the relevant merchants on Tmall.com. The Framework Technical Services Agreement was approved by the independent shareholders at the special general meeting, and the term of the Framework Technical Services Agreement commenced on the day following the completion of business acquisition under common control as described in note 21(b) and will end on March 31, 2021. Further details of the transaction were set out in the announcement of the Company dated May 29, 2018.

(xi) On August 24, 2016, Alibaba Health Technology (China) Co., Ltd.^ (阿里健康科技(中國)有限公司), an indirectly wholly-owned subsidiary of the Company, and the Tmall Entities, members of Alibaba Group, entered into a services agreement, pursuant to which the Group agreed to provide certain outsourced and value-added services in accordance with the terms and conditions of the services agreement. The Tmall Entities shall pay the Group a service fee amounting to 21.5% of the fees paid by the merchants to the relevant Tmall Entities in respect of the value of the completed sales of products or services under certain categories on Tmall. The transaction was approved by the Company's independent shareholders at a special general meeting. The term of the services agreement was from September 13, 2016 to March 31, 2017. On March 10, 2017, Alibaba Health Technology (China) Co., Ltd.^ (阿里健康科技(中國)有限公司), and the Tmall Entities renewed the service agreement for a term of one year, commencing from April 1, 2017 to March 31, 2018. For the period ended September 30, 2018, a service income of RMB86,861,000 (for the six months ended September 30, 2017: RMB53,862,000) was charged by the Group to the Tmall Entities. Certain of the above-mentioned service income included 21.5% of the fees paid by Alibaba Health Pharmaceutical Chain Co., Ltd.^ (阿里健康大藥房醫藥連鎖有限公司), an indirectly wholly-owned subsidiary of the Company, to the Tmall Entities in respect of the value of the completed sales of products. A net service income of RMB80,025,000 (2017: RMB49,594,000) was recorded in the consolidated statement of profit or loss. Further details of the transaction were set out in the announcement of the Company dated August 24, 2016, March 10, 2017 and November 21, 2017.

A renewed services agreement was entered into on February 14, 2018 with a term which runs from April 1, 2018 to March 31, 2019, and the details of which are set out in the announcement of the Company dated February 14, 2018.

22 RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties: (continued)

Notes: (continued)

(xii) On September 26, 2017, Alibaba Health Technology (China) Co., Ltd.^ (阿里健康科技(中國)有限公司), an indirect wholly-owned subsidiary of the Company, entered into the Tracking Service Agreement with Taobao China Holding Limited, an indirect wholly-owned subsidiary of Alibaba Holding, pursuant to which Alibaba Health Technology (China) Co., Ltd.^ (阿里健康科技(中國)有限公司) shall provide development, maintenance and operation service of tracking information system to Taobao China Holding Limited for a term commenced on September 26, 2017 and ended on August 31, 2018. The Renewed Tracking Service Agreement was entered into on September 7, 2018 with a term which runs from September 7, 2018 to March 31, 2019 and the details of which were set out in the announcement dated September 7, 2018.

(xiii) The products provided to an associate were provided as prices and on conditions offered to our major customers.

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

(xv) On June 1, 2018, Shanghai Yunxin Venture Capital Co., Ltd.^ (上海云鑫創業投資有限公司) ("**Shanghai Yunxin**"), a company wholly-owned by Ant Financial, Hangzhou Yunting Data Technology Company Limited^ (杭州云庭數據科技有限公司) ("**Hangzhou Yunting**"), an independent third party, Hongyun Jiukang Data Technology (Beijing) Company Limited^ (弘云久康數據技術(北京)有限公司) ("**Hongyun Jiukang**"), a subsidiary of the Group, and the joint venture[&] 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 joint venture. At the date of the transaction, the joint venture was wholly-owned by Hongyun Jiukang with registered capital of RMB45 million and fully subscribed for. Upon completion of the transaction on June 1, 2018, the registered share capital of the joint venture was increased from RMB45 million to RMB100 million, which was held as to 45% by Hongyun Jiukang, 40% by Shanghai Yunxin and 15% by Hangzhou Yunting, respectively. Further details of the transaction were set out in the announcement of the Company dated June 1, 2018.

& Zhejiang Bian Que Health Data Technology Co., Ltd^ (浙江扁鵲健康數據技術有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of Hongyun Jiukang prior to the transaction.

The related party transactions in respect of items (i), (ii), from (iv) to (xii) and (xv) above for the current period also constitute continuing connected transactions or connected transactions as defined in Chapter 14A of the Listing Rules.

22 RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Outstanding balances with related parties:

In addition to the outstanding balances detailed elsewhere in these financial statements, the balances with related parties as at September 30, 2018 and March 31, 2018 are listed below:

	September 30, 2018 Unaudited *RMB'000*	March 31, 2018 Audited *RMB'000*
(1) Amounts due from related parties:		
Subsidiaries of Alibaba Holdings	**38,244**	34,061
Joint ventures	**2,830**	55,921
	41,074	89,982
(2) Amounts due to related parties:		
Subsidiaries of Alibaba Holdings	**93,880**	58,651
Joint ventures	**710**	2,685
	94,590	61,336

(III) Compensation of key management personnel of the Group:

	Six months ended September 30,	
	2018 Unaudited *RMB'000*	2017 Unaudited *RMB'000*
Short term employee benefits	**3,575**	5,314
Share-based compensation expenses	**20,615**	14,487
Pension scheme contributions	**198**	101
Performance related bonuses	**5,994**	—
Total compensation paid to key management personnel	**30,382**	19,902

23 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below, is an overview of financial assets, other than cash and restricted cash, held by the Group as at September 30, 2018 and March 31, 2018:

	As at September 30, 2018 (Unaudited) *RMB'000*	As at March 31, 2018 (Audited) *RMB'000*
Debt instruments at amortised cost:		
Trade receivables	**190,958**	91,373
Financial assets included in prepayments, deposits and other receivables	**44,738**	52,481
Long-term receivables	**56,970**	55,921
Financial assets at fair value through profit or loss:		
Debt investment	**101,734**	—
Equity investment	**1,063,708**	—
Derivatives	**303,795**	4,100
Total financial assets	**1,761,903**	203,875
Total current assets	**1,263,860**	203,875
Total non-current assets	**498,043**	—

Set out below is an overview of financial liabilities held by the Group as at September 30, 2018 and March 31, 2018:

	As at September 30, 2018 (Unaudited) *RMB'000*	As at March 31, 2018 (Audited) *RMB'000*
Financial liabilities at amortised cost:		
Trade payables	**529,183**	323,310
Financial liabilities included in other payables and accruals	**850,906**	97,540
Current interest-bearing bank loans and other borrowings:		
Bank loans	**249,380**	—
Other loans	**1,000,000**	—
Financial liability at fair value through profit and loss	**8,589**	—
Total current liabilities	**2,638,058**	420,850

24 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair value, are as follows:

	Carrying amounts		Fair values	
	As at September 30, 2018 (Unaudited) *RMB'000*	As at March 31, 2018 (Audited) *RMB'000*	**As at September 30, 2018 (Unaudited) *RMB'000***	As at March 31, 2018 (Audited) *RMB'000*
Financial assets				
Financial assets at fair value through profit or loss:				
Debt investment	**101,734**	—	**101,734**	—
Equity investment	**1,063,708**	—	**1,063,708**	—
Derivatives	**303,795**	4,100	**303,795**	4,100
Long-term receivables	**56,970**	55,921	**56,970**	55,921
	1,526,207	60,021	**1,526,207**	60,021
Financial liabilities				
Financial liability at fair value through profit or loss	**8,589**	—	**8,589**	—
	8,589	—	**8,589**	—

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the long-term receivables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

24 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of unlisted equity investments and debt investments have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future dividends and proceeds on subsequent disposal of the shares. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the interim condensed consolidated statement of financial position, and the related changes in fair values, which are recorded through profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair value of embedded derivatives was determined by binomial model or Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The valuation techniques are based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about expected volatility, exercise probability, risk-free rate and etc.

The fair value of financial liabilities at fair value through profit or loss have been calculated by discounting the expected future cash flows. The valuation requires the directors to make estimates about probabilities of each scenario. The Group's own non-performance risk for financial liabilities at fair value through profit or loss as at September 30, 2018 was assessed to be insignificant.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at September 30, 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Unaudited) *RMB'000*	Significant observable inputs (Level 2) (Unaudited) *RMB'000*	Significant unobservable inputs (Level 3) (Unaudited) *RMB'000*	Total (Unaudited) *RMB'000*
Financial assets at fair value through profit or loss	–	101,734	1,367,503	1,469,237

24 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at March 31, 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Audited) *RMB'000*	Significant observable inputs (Level 2) (Audited) *RMB'000*	Significant unobservable inputs (Level 3) (Audited) *RMB'000*	Total (Audited) *RMB'000*
Financial assets at fair value through profit or loss	—	—	4,100	4,100

During the six months ended September 30, 2018 and the year ended March 31, 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Assets for which fair values are disclosed:

As at September 30, 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Unaudited) *RMB'000*	**Significant observable inputs (Level 2) (Unaudited) *RMB'000***	**Significant unobservable inputs (Level 3) (Unaudited) *RMB'000***	**Total (Unaudited) *RMB'000***
Long-term receivables	**—**	**—**	**56,970**	**56,970**

24 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Assets for which fair values are disclosed: (continued)

As at March 31, 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Audited) *RMB'000*	Significant observable inputs (Level 2) (Audited) *RMB'000*	Significant unobservable inputs (Level 3) (Audited) *RMB'000*	Total (Audited) *RMB'000*
Long-term receivables	–	–	55,921	55,921

Liabilities measured at fair value:

As at September 30, 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Unaudited) ***RMB'000***	**Significant observable inputs (Level 2) (Unaudited)** ***RMB'000***	**Significant unobservable inputs (Level 3) (Unaudited)** ***RMB'000***	**Total (Unaudited)** ***RMB'000***
Financial liabilities at fair value through profit or loss	**–**	**–**	**8,589**	**8,589**

The Group did not have any financial liabilities measured at fair value as at March 31, 2018.

The Group did not have any financial liabilities for which fair values are disclosed as at September 30, 2018 and March 31, 2018.

25 SUBSEQUENT EVENTS

On August 3, 2018, Alibaba Health (Hong Kong), a subsidiary of the Company, entered into the Equity Transfer Agreements 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)), pursuant to which 24% and 25% equity interests of HL95 held by Alibaba Health (Hong Kong) would be transferred to the other two counterparties, respectively, for a total cash consideration of RMB65,988,360. The transaction was completed on November 12, 2018. Further details of the transaction were set out in the announcement of the Company dated August 3, 2018.

26 APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors of the Company on November 19, 2018.

^ *For identification purpose only*