



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



INTERIM REPORT 2015



Contents

2	Corporate Information
3	Management Discussion and Analysis
10	Additional Information
	Unaudited Interim Financial Information
23	Report on Review of Interim Financial Information
24	Interim Condensed Consolidated Statement of Profit or Loss
25	Interim Condensed Consolidated Statement of Comprehensive Income
26	Interim Condensed Consolidated Statement of Financial Position
27	Interim Condensed Consolidated Statement of Changes in Equity
28	Interim Condensed Consolidated Statement of Cash Flows
30	Notes to the Interim Condensed Consolidated Financial Statements

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. CHEN Xiao Ying (Executive Vice Chairman)

Mr. WANG Lei (Chief Executive Officer)

Non-Executive Directors

Mr. WU Yongming (Chairman)

Mr. TSAI Chung, Joseph

Ms. HUANG Aizhu

Mr. KANG Kai

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

AUTHORISED REPRESENTATIVES

Mr. WANG Lei

Mr. AU Kin Fai, HKICPA

COMPANY SECRETARY

Mr. AU Kin Fai, HKICPA

LEGAL ADVISORS

Freshfields Bruckhaus Deringer

H.M. Chan & Co

AUDITOR

Ernst & Young

Certified Public Accountants

REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

26/F Tower One

Times Square

1 Matheson Street

Causeway Bay

Hong Kong

PRINCIPAL SHARE REGISTRAR (IN BERMUDA)

Appleby Management (Bermuda) Ltd.

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

BRANCH SHARE REGISTRAR (IN HONG KONG)

Tricor Secretaries Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

PRINCIPAL BANKERS

China CITIC Bank International Limited

The Hongkong and Shanghai Banking Corporation Limited

COMPANY WEBSITE

www.alihealth.cn

MANAGEMENT DISCUSSION AND ANALYSIS



FINANCIAL REVIEW

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

Results

Revenue

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

Gross profit percentage

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

Other income and gains

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

Sales and marketing expenses

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

Administrative expenses

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

MANAGEMENT DISCUSSION AND ANALYSIS**FINANCIAL REVIEW (continued)****Results (continued)*****Product development expenses***

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

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

Other expenses

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

Share of profit of a joint venture

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

Share of profit of an associate

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

Net loss attributable to owners of the Company

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

Loss per share

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS



FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES (continued)

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

BUSINESS REVIEW

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

- **Drug PIATS**

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

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

Future prospects

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



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

• **Pharmaceutical e-commerce**

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

Future prospects

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

• **Medical services network**

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

Future prospects

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

• **Proposed Acquisition**

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

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

- integrate online and offline transaction platforms to increase the numbers and types of pharmaceutical and other healthcare products covered;
- continue to expand its platform to serve more consumers and other participants in healthcare industry in the PRC;
- continue to invest in its software platforms and develop more technology-based solutions and functions to help participants conduct transactions through its platform; and
- implement cloud computing and big data strategies through the application of data analytics and in-depth learning technologies to support the continued growth of its business.

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

MANAGEMENT DISCUSSION AND ANALYSIS



EMPLOYEES AND REMUNERATION POLICIES

The number of full-time employees of the Group as at September 30, 2015 was 282 (285 as at March 31, 2015). Total staff costs of the Group for the six months ended September 30, 2015 was HK\$81.8 million. All the Group's staff employed in Hong Kong participated in the Mandatory Provident Fund Scheme.

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

The Group has also adopted a share award scheme as approved by the shareholders of the Company on November 24, 2014 (the "**Share Award Scheme**"), pursuant to which the Board may grant awards ("**Awards**") in the form of restricted share units ("**RSUs**") or share options to eligible participants, including the Directors, the directors of the Company's subsidiaries, the employees of the Group or any other persons as determined by the Board who the Board considers, in its absolute discretion, have contributed or will contribute to the success of the Group's operations. The movement of the options and RSUs granted, lapsed and outstanding under the Share Award Scheme during the period are set out in note 11 to the interim condensed consolidated financial statements.



ADDITIONAL INFORMATION

DIRECTORS

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

Executive Directors:

Dr. Wang Jian (Chairman and Chief Executive Officer)	(resigned on April 17, 2015)
Ms. Chen Xiao Ying (Executive Vice Chairman)	
Mr. Wang Lei (Chief Executive Officer)	(appointed on April 17, 2015)

Non-Executive Directors:

Mr. Wu Yongming (Chairman)	(appointed on April 17, 2015)
Mr. Chia Pun Kok	(resigned on April 17, 2015)
Mr. Zhang Yong	(resigned on September 7, 2015)
Mr. Chen Jun	(resigned on September 7, 2015)
Mr. Yu Feng	(resigned on September 7, 2015)
Mr. Tsai Chung, Joseph	(appointed on September 8, 2015)
Ms. Huang Aizhu	(appointed on September 8, 2015)
Mr. Kang Kai	(appointed on September 8, 2015)

Independent Non-Executive Directors:

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

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Pursuant to Rule 13.51B of the listing Rules, the changes in Directors information are set out below:

With effect from April 17, 2015:

- Dr. Wang Jian resigned as the chairman of the Board, the chairman of the Nomination Committee, an executive director and the chief executive officer of the Company;
- Mr. Chia Pun Kok resigned as a non-executive director of the Company;

ADDITIONAL INFORMATION



CHANGES TO INFORMATION IN RESPECT OF DIRECTORS (continued)

- Mr. Wu Yongming appointed as the chairman of the Board, the chairman of the Nomination Committee and a non-executive director of the Company;
- Mr. Wang Lei was appointed as an executive director and the chief executive officer of the Company.

With effect from September 7, 2015:

- Mr. Zhang Yong resigned as a member of the Audit Committee, a member of the Remuneration Committee and a non-executive director of the Company;
- Both Mr. Chen Jun and Mr. Yu Feng resigned as non-executive directors of the Company.

With effect from September 8, 2015:

- Each of Mr. Tsai Chung, Joseph, Ms. Huang Aizhu and Mr. Kang Kai was appointed as a non-executive director of the Company.



ADDITIONAL INFORMATION

SHARE AWARD SCHEME

At the special general meeting of the Company held on November 24, 2014 (the “**Adoption Date**”), the shareholders of the Company (the “**Shareholders**”) 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.

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 to the Board at the Adoption Date to exercise all the powers of the Company to grant Share Awards lapsed at the conclusion of the annual general meeting held on September 30, 2015 (“**2015 Annual General Meeting**”), but the specific mandate was then renewed by approval of the Shareholders at the 2015 Annual General Meeting.

Details of the options and restricted share units (“RSUs”) granted and outstanding under the Share Award Scheme

Name of option holders/grantees of RSU	Positions held with the Group	Nature	Number of shares represented by options or RSUs at April 1, 2015	Date of grant/conditional grant	Granted during the period	Exercise price (HK\$)	Exercised during the period	Lapsed during the period	Number of shares represented by options or RSUs outstanding at
									September 30, 2015
Director of the Company									
Mr. Wang Lei ⁽¹⁾	The Chief Executive Officer and an executive Director of the Company, and a director of Alibaba Health Technology (Beijing) Company Limited* and CITIC 21CN (China) Technology Company Limited*	Options	-	September 7, 2015	7,491,000	5.184	-	-	7,491,000
		RSUs	-	September 7, 2015	1,284,000	-	-	-	1,284,000

ADDITIONAL INFORMATION

SHARE AWARD SCHEME (continued)

Details of the options and restricted share units (RSUs) granted and outstanding under the Share Award Scheme (continued)

Name of option holders/grantees of RSU	Positions held with the Group	Nature	Number of shares represented by options or RSUs at April 1, 2015	Date of grant/conditional grant	Granted during the period	Exercise price (HK\$)	Exercised during the period	Lapsed during the period	Number of shares represented by options or RSUs outstanding at September 30, 2015
Other connected persons of our Group									
Ms. Ma Li ⁽¹⁾	A director of Alibaba Health Technology (Beijing) Company Limited*	Options	-	September 7, 2015	2,131,000	5.184	-	-	2,131,000
		RSUs	-	September 7, 2015	852,000	-	-	-	852,000
Mr. Meng Changan ⁽¹⁾	A director of Alibaba Health Technology (Beijing) Company Limited* and CITIC 21CN (China) Technology Company Limited*	Options	-	September 7, 2015	1,894,000	5.184	-	-	1,894,000
		RSUs	-	September 7, 2015	758,000	-	-	-	758,000
Mr. Wang Peiyu ⁽¹⁾	A director of CITIC 21CN (China) Technology Company Limited*	Options	-	September 7, 2015	1,420,000	5.184	-	-	1,420,000
		RSUs	-	September 7, 2015	568,000	-	-	-	568,000
Other non-connected persons									
96 employees and previous employees of the Group ⁽²⁾	-	Options	-	September 7, 2015	20,907,000	5.184	-	(1,346,000)	19,561,000
		RSUs	-	September 7, 2015	16,541,000	-	-	(1,298,000)	15,243,000

* For identification purpose only

ADDITIONAL INFORMATION

SHARE AWARD SCHEME (continued)

Details of the options and restricted share units (RSUs) granted and outstanding under the Share Award Scheme (continued)

Notes:

- (1) The options and RSUs granted to each of Mr. WANG Lei, Ms. MA Li, Mr. MENG Changan and Mr. WANG Peiyu shall vest in accordance with vesting schedule as follows:

The options and RSUs granted to him/her shall vest over a four-year period commencing from the quarterly reference date (i.e. January 31, April 30, July 31, October 10 of every calendar year, “**Quarterly Reference Date**”) closest to such grantee’s grant entitlement date, being the date on which the grantee’s employment commenced with the Group or on which the grantee became eligible as a participant of the Share Award Scheme (“**Grant Entitlement Date**”), whichever is later, of which:

- (i) as to 50% of the options and RSUs granted shall vest on the 2nd anniversary of the Quarterly Reference Date closest to such grantee’s Grant Entitlement Date;
- (ii) as to 25% of the options and RSUs granted shall vest on the 3rd anniversary of the Quarterly Reference Date closest to such grantee’s Grant Entitlement Date; and
- (iii) as to 25% of the options and RSUs granted shall vest on the 4th anniversary of the Quarterly Reference Date closest to such grantee’s Grant Entitlement Date.

As Mr. WANG Lei is the chief executive officer of the Company and an executive Director, and each of Ms. MA Li, Mr. MENG Changan and Mr. WANG Peiyu is a director of a subsidiary or certain subsidiaries of the Company, and therefore each is a connected person of the Company, the conditional grant of RSUs to each of them and the related transactions constitute of non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules and were subject to reporting, announcement and independent shareholders’ approval requirements. The aforesaid conditional grant of RSUs was subsequently approved by the independent shareholders of the Company at the special general meeting convened on November 6, 2015.

- (2) The options and RSUs granted to the 96 employees shall vest in accordance with the vesting schedule shown in note (1) above. 6 out of the 96 employees resigned from the Group during the period and the options and RSUs granted to them lapsed.

On April 6, 2015, the Board resolved to conditionally grant 3,300,000 RSUs to Mr. Wang Yaqing and on April 21, 2015, the Company granted 8,700,000 Options to Mr. Wang Yaqing.

The Options granted and RSUs which were to be granted to Mr. Wang Yaqing were to vest in accordance with the vesting schedule as follows:

- (i) 50% of the aggregate number of shares underlying the options and RSUs would have vested on April 30, 2016;
- (ii) as to 25% of the aggregate number of shares underlying the options and RSUs would have vested on April 30, 2017;
- (iii) as to 25% of the aggregate number of shares underlying the options and RSUs would have vested on April 30, 2018.

However Mr. Wang Yaqing subsequently resigned from the Group during the period before the above mentioned RSUs were granted and the above mentioned Options were also forfeited as a result.

ADDITIONAL INFORMATION



DIRECTORS' INTERESTS IN CONTRACTS

On April 8, 2015, the Company (as the purchaser) and Ali JK Investment Holdings Limited (“**Ali JK Investment**”), which is a wholly owned subsidiary of Alibaba Group Holding Limited, and Mr. Chen Wen Xin (“**Mr. Chen**”) (as the sellers) entered into a share purchase agreement pursuant to which the Company conditionally agreed to acquire, and Ali JK Investment and Mr. Chen conditionally agreed to sell, the entire issued share capital of Beijing Chuanyun Logistics Investment Limited in consideration for (i) the issue by the Company of (a) 2,961,291,148 ordinary shares and (b) redeemable convertible bonds that are convertible into 409,090,909 ordinary shares upon full conversion at a conversion price of HK\$5.808 per conversion share, subject to customary anti-dilution adjustment, to Ali JK Investment; and (ii) the issue by the Company of 313,038,008 ordinary shares to Mr. Chen. Mr. Chen is a brother, and hence an associate, of Ms. Chen Xiao Ying, one of the Directors. For details relating to the aforesaid share purchase agreement, please refer to the announcement of the Company dated April 15, 2015.

Save for disclosed above, no contract of significance in relation to the Company’s business to which the Company, any of its subsidiaries or its holding companies was a party and in which a Director of the Company had a material interest, whether directly or indirectly, existed at the end of the period or at any time during the period.

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

At September 30, 2015, 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 of Hong Kong Limited (the “**Hong Kong 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

Name of director	Nature of Interest	Number of ordinary shares and underlying shares held, capacity and nature of interest	
		Total interest in Shares	Percentage of the Company’s share capital
Ms. Chen Xiao Ying	Interest in controlled corporation ⁽¹⁾	777,484,030	9.51%
Mr. Wang Lei	Equity derivative interest ⁽²⁾	8,775,000	0.11%

ADDITIONAL INFORMATION

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

Long positions in shares and underlying shares of the Company (continued)

Notes:

- (1) Pollon Internet Corporation, a company wholly-owned by Ms. Chen Xiao Ying, owns 100% interest in 21CN Corporation. Uni-Tech International Group Limited, a wholly owned subsidiary of 21CN Corporation, holds 777,484,030 shares in the Company. Accordingly, Ms. Chen is interested in the Shares held by Uni-Tech International Group Limited.
- (2) Subject to vesting, Mr. Wang Lei is interested in a total of 8,775,000 shares underlying the 7,491,000 options granted to him (as resolved by the Board on September 7, 2015) and 1,284,000 RSUs granted to him (as was approved by the independent shareholders of the Company at the special general meeting held on November 6, 2015) in accordance with the Share Award Scheme.

Long position in shares of an associated corporation

Name of Director	Name of associated corporation	Nature of interest	Number of shares/ underlying shares held	% of issued shares of associated corporation
Mr. Wang Lei	Alibaba Group Holding Limited	Beneficial and equity derivative interests ⁽¹⁾	128,016	0.01%
Mr. Tsai Chung, Joseph	Alibaba Group Holding Limited	Beneficial and interests of spouse ⁽²⁾	1,727,964	0.07%
		Interests in controlled corporation and other interests ⁽³⁾	62,793,644	2.50%
		Founder of a discretionary trust ⁽⁴⁾	15,000,000	0.60%
Ms. Huang Aizhu	Alibaba Group Holding Limited	Beneficial and equity derivative interests ⁽⁵⁾	146,582	0.01%
Mr. Kang Kai	Alibaba Group Holding Limited	Equity derivative interest	12,000	0.00%
Mr. Wu Yongming	Alibaba Group Holding Limited	Beneficial and equity derivative interests ⁽⁶⁾	105,000	0.00%
		Interests in controlled corporation ⁽⁷⁾	844,922	0.03%
		Founder of a discretionary trust ⁽⁸⁾	7,676,044	0.31%
Mr. Yan Xuan	Alibaba Group Holding Limited	Beneficial	3,000	0.00%

ADDITIONAL INFORMATION



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

Long position in shares of an associated corporation (continued)

Notes:

1. It represents 61,266 ordinary shares or underlying ordinary shares and 66,750 restricted share units beneficially held by Mr. Wang Lei.
2. It represents 1,437,964 ordinary shares and 130,000 restricted share units beneficially held by Mr. Tsai Chung, Joseph and 160,000 ordinary shares held by his spouse.
3. It represents the sum of 2,868,198 shares held by or deemed to be held by MFG Limited (of which Mr. Tsai Chung, Joseph is the sole director), 23,105,952 ordinary shares or underlying ordinary shares directly or indirectly held by Parufam Limited (of which Mr. Tsai Chung, Joseph is a director and has been delegated sole voting and disposition power), 21,000,000 ordinary shares held by PMH Holding Limited (of which Mr. Tsai Chung, Joseph is the sole director), 15,000,000 ordinary shares held by APN Ltd. (in which Mr. Tsai Chung, Joseph holds 30% equity interest and has been granted a revocable proxy to vote 15,000,000 ordinary shares owned by APN Ltd.), 819,494 underlying ordinary shares held by MFG II Ltd. (which is wholly owned by Mr. Tsai Chung, Joseph).
4. It represents the 5,000,000 options held by Joe and Clara Tsai Foundation (whereby Mr. Tsai Chung, Joseph is the "founder" of the trust within the meaning of the SFO) and 10,000,000 options held by SymAsia Foundation Limited, the transfer of which options Mr. Tsai Chung, Joseph is entitled to direct to a charitable trust he has established.
5. It represents 95,957 ordinary shares or underlying ordinary shares and 50,625 restricted share units beneficially held by Ms. Huang Aizhu.
6. It represents 75,000 ordinary shares and 30,000 restricted share units beneficially held by Mr. Wu Yongming.
7. It represents 844,922 ordinary shares or underlying ordinary shares held by Plus Force Enterprise Ltd. (which is wholly owned by Mr. Wu Yongming).
8. It represents 7,676,044 ordinary shares or underlying ordinary shares held by Mr. Wu Yongming through two private trusts whereby he is the founder of the discretionary trusts.

Save as disclosed above, as at September 30, 2015, none of the directors and chief executive had registered an interest or short position in the shares, underlying shares or debentures 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.



ADDITIONAL INFORMATION

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

At September 30, 2015, 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	(a)	Beneficial owner	5,198,112,038	63.60%
Alibaba Group Holding Limited	(a) (c)	Interest of controlled corporation	8,915,884,103	109.09%
Alibaba Investment Limited	(a)	Interest of controlled corporation	5,198,112,038	63.60%
Innovare Tech Limited	(a)	Persons acting in concert	5,198,112,038	63.60%
Yunfeng Fund II, L.P.	(a)	Persons acting in concert	5,198,112,038	63.60%
Yunfeng Investment GP II, Ltd.	(a)	Interest of controlled corporation	5,198,112,038	63.60%
Yunfeng Investment II, L.P.	(a)	Interest of controlled corporation	5,198,112,038	63.60%
Uni-Tech International Group Limited	(b)	Beneficial owner	777,484,030	9.51%
21CN Corporation	(b)	Interest of controlled corporation	777,484,030	9.51%
Pollon Internet Corporation	(b)	Interest of controlled corporation	777,484,030	9.51%
Ali JK Investment Holdings Limited	(c)	Beneficial Owner	3,717,772,065	45.49%
Mr. Chen Wen Xin	(c)	Beneficial Owner	3,717,772,065	45.49%

ADDITIONAL INFORMATION



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

Long positions: (continued)

Notes :

- (a) Perfect Advance Holding Limited ("**Perfect Advance**") holds 4,420,628,008 shares (representing 54.09% of the issued share capital of the Company). In addition, as a security for her obligations under the subscription agreement entered into by the Company with Perfect Advance dated January 23, 2014 in relation to the share subscription by Perfect Advance, Ms. Chen Xiao Ying provided to Perfect Advance a share charge over 777,484,030 shares (representing 9.51% of the issued share capital of the Company) indirectly held by her for a period of 18 months from April 30, 2014. Perfect Advance is therefore deemed to have an interest in an aggregate of 5,198,112,038 shares (representing 63.60% of the issued share capital of the Company), and each of Perfect Advance and Innovare is also deemed to have an interest in an aggregate of 5,198,112,038 shares (representing 63.60% of the issued share capital of the Company).

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 Group Holding Limited. 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 is also deemed to have an interest in an aggregate of 5,198,112,038 shares (representing 63.60% of the issued share capital of the Company) via Perfect Advance within the meaning of Part XV of the SFO.

- (b) Uni-Tech International Group Limited is wholly-owned by 21CN Corporation. 21CN Corporation is owned as to 100% by Pollon Internet Corporation, which is wholly-owned by Ms. Chen Xiao Ying, the executive Vice Chairman of the Company.
- (c) Mr. Chen Wen Xin ("**Mr. Chen**") holds 34,352,000 shares (representing 0.42% of the issued share capital of the Company). Mr. Chen and Ali JK Investment Holdings Limited ("**Ali JK Investment**"), which is a wholly owned subsidiary of Alibaba Group Holding Limited, have an interest in 3,683,420,065 shares pursuant to an agreement dated April 8, 2015 entered into between the Company (as purchaser) and Ali JK Investment and Mr. Chen (as sellers), under which the Company conditionally agreed to acquire, and Ali JK Investment and Mr. Chen have conditionally agreed to sell, the entire issued share capital of Beijing Chuanyan Logistics Investment Limited which is held as to approximately 90.44% by Ali JK Investment and as to approximately 9.56% by Mr. Chen, in consideration for (i) the issue by the Company of (a) 2,961,291,148 shares and (b) redeemable convertible bonds that are convertible into 409,090,909 shares upon full conversion at a conversion price of HK\$5.808 per conversion share, subject to anti-dilution adjustment, to Ali JK Investment; and (ii) the issue by the Company of 313,038,008 shares to Mr. Chen. Accordingly, Alibaba Group Holding Limited is therefore deemed to have an interest in the 5,198,112,038 shares (representing 63.60% of the issued share capital of the Company) beneficially owned by Perfect Advance and the 3,717,772,065 shares (representing 45.49% of the issued share capital of the Company) via Ali JK Investment, which together represent an interest in 8,915,884,103 shares (representing 109.09% of the issued share capital of the Company).

Save as disclosed above, as at September 30, 2015, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "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.

ADDITIONAL INFORMATION**CONNECTED TRANSACTIONS****(a) Continuing Connected Transaction – Cloud Computing Services Agreement**

On September 30, 2014, CITIC 21CN (China) Technology Company Limited* (中信21世紀(中國)科技有限公司) (“**CITIC 21CN Technology**”), an indirect wholly-owned subsidiary of the Company, entered into the Cloud Computing Services Agreement (the “**Agreement**”) with Alibaba Cloud Computing Ltd* (阿里雲計算有限公司) (“Alibaba Cloud”). Pursuant to the Agreement, Alibaba Cloud agreed to provide certain cloud computing services to the Group for a term of six months from October 1, 2014 to March 31, 2015. Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Group Holding Limited is the ultimate majority shareholder of Perfect Advance and Alibaba Cloud is a member of the Alibaba Group. Accordingly, Alibaba Cloud is also a connected person of the Company and the transactions contemplated under the Agreement constituted continuing connected transactions of the Company in accordance with the Listing Rules.

On April 21, 2015, CITIC 21CN Technology and Alibaba Cloud renewed the Agreement (the “**Renewed Agreement**”), under which Alibaba Cloud will continue to provide certain cloud computing services to the Group for a term of another one year from April 1, 2015 to March 31, 2016. During the six months ended September 30, 2015, the aggregate value of services fees charged by Alibaba Cloud under the Renewed Agreement was approximately of HK\$4,597,000 (six months ended September 30, 2014: Nil)

(b) Grant of Options and Conditional Grant of RSUs to Connected Persons

On April 6, 2015 and April 21, 2015, the Board resolved to conditionally grant 3,300,000 RSUs and granted 8,700,000 Options, respectively to Mr. Wang Yaqing under the Share Award Scheme. Subsequently, Mr. Wang resigned from the Group during the period before the above mentioned RSUs were granted and the above mentioned Options also lapsed as a result.

On September 7, 2015, the Board resolved to grant 12,936,000 options and resolved to, subject to independent shareholders’ approval, conditionally grant 3,462,000 RSUs to Mr. Wang Lei, Mr. Meng Changan, Ms. Ma Li and Mr. Wang Peiyu in accordance with the terms of the Share Award Scheme. Such aforesaid conditional grant of RSUs has been approved by the independent shareholders of the Company at the special general meeting convened on November 6, 2015.

As Mr. Wang Lei is the chief executive officer and an executive director of the Company, and each of Mr. Meng Changan, Ms. Ma Li and Mr. Wang Peiyu was a director of a subsidiary or certain subsidiaries of the Company at the above-mentioned grant dates, and therefore each of them was a connected person of the Company, the conditional grant of RSUs to each of them and the related transactions constitute non-exempt connected transactions for the Company in accordance with the Listing Rules. The Group recognized a share-based compensation expense of HK\$1,631,000 (six month ended September 30, 2014: Nil) during the six months ended September 30, 2015 for these connected transactions.

ADDITIONAL INFORMATION**CONNECTED TRANSACTIONS (continued)****(c) Proposed Acquisition from Connected Persons**

On April 8, 2015, the Company (as the purchaser) and Ali JK Investment Holdings Limited (“**Ali JK Investment**”) and Mr. Chen Wen Xin (“**Mr. Chen**”) (as the sellers) entered into a share purchase agreement pursuant to which the Company conditionally agreed to acquire, and Ali JK Investment and Mr. Chen conditionally agreed to sell, the entire issued share capital of the Beijing Chuanyun Logistics Investment Limited in consideration for (i) the issue by the Company of (a) 2,961,291,148 Ordinary Shares and (b) redeemable convertible bonds that are convertible into 409,090,909 Ordinary Shares upon full conversion at a conversion price of HK\$5.808 per conversion share, subject to customary anti-dilution adjustment, to Ali JK Investment; and (ii) the issue by the Company of 313,038,008 Ordinary Shares to Mr. Chen.

As Ali JK Investment is a connected person of the Company by virtue of being an associate of Alibaba Group Holding Limited, the ultimate controlling shareholder of the Company and Mr. Chen is a connected person of the Company by virtue of being a brother, hence an associate, of Ms. Chen Xiao Ying, a director of the Company, such proposed acquisition constitutes a connected transaction of the Company in accordance with the Listing Rules. For details, please refer to the announcement of the Company dated April 15, 2015.

INTERIM DIVIDEND

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

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

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

ADDITIONAL INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

1. Code provision A.2.1 states that the roles of chairman and chief executive should be separated and should not be the same individual. From May 9, 2014 to April 17, 2015, Dr. Wang Jian served as the chairman of the Board and the CEO of the Company. The Board believed that it was necessary to vest the roles of the chairman of the Board and the CEO of the Company in the same person given Dr. Wang Jian’s experience and established market reputation in the industry, and his importance in the strategic development of the Company. The dual role arrangement helped to provide strong and consistent leadership and was critical for efficient business planning and decision making of the Company. As all major decisions of the Company were made in consultation with other members of the Board and the relevant Board committees, and there were three INEDs on the Board offering independent perspectives, the Board was of the view that there were adequate safeguards in place to ensure sufficient balance of powers with the Board and this deviation from the Code Provisions was therefore acceptable. With effect from April 17, 2015, Mr. Wu Yongming was appointed as the new chairman of the Board and Mr. Wang Lei was appointed as the new CEO of the Company, such that there is now a segregation of duties between the chairman and the CEO.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) to regulate the Directors’ dealings in the Group’s securities. In response to specific enquiries by the Company, all Directors have confirmed that they have complied with the Model Code in their securities transactions throughout the six months ended September 30, 2015.

AUDIT COMMITTEE

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

REVIEW OF INTERIM RESULTS

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

Hong Kong
November 23, 2015



EY 安永

Report on Review of Interim Financial Information

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 24 to 40, 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, 2015 and the related interim condensed consolidated statements of profit or loss, interim condensed consolidated 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 Rules Governing the Listing of Securities on Main Board of The Stock Exchange of Hong Kong Limited (the “Listing Rules”) 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

Hong Kong

November 23, 2015



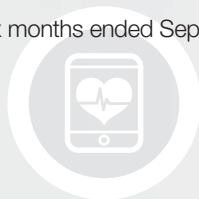
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended September 30, 2015

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended September 30, 2015



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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2015

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended September 30, 2015

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended September 30, 2015

	Notes	Six months ended September 30,	
		2015 Unaudited HK\$'000	2014 Unaudited HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(129,319)	(33,851)
Adjustments for:			
Share of profit of a joint venture	5	(7,278)	(4,710)
Share of profit of an associate	6	(10,323)	(8,245)
Interest income	4	(9,901)	(7,338)
(Gain)/loss on disposal of items of property and equipment		(13)	5,538
Depreciation	7	2,185	3,599
Amortization of intangible assets	7	–	1,430
Impairment of trade receivables	7	1,341	13,467
Impairment of prepayments and other receivables	7	20	408
Foreign exchange difference, net		10,075	–
Share-based compensation expense	7	5,252	–
		(137,961)	(29,702)
Increase in trade receivables		(17,063)	(5,085)
Increase in prepayments, deposits and other receivables		(5,201)	(2,313)
Increase in trade payables		2,750	166
Increase in other payables and accruals		387	7,090
Increase/(decrease) in deferred revenue		42,856	(17,297)
Increase in receipt in advance		6,869	30,287
Exchange differences		7,008	–
Cash used in operations		(100,355)	(16,854)
Interest received		10,524	7,338
Net cash flows used in operating activities		(89,831)	(9,516)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property and equipment		(5,039)	(2,226)
Proceeds from disposal of items of property and equipment		13	132
Placement of time deposits with original maturity of over three months when acquired		(5,062)	(55,251)
Withdrawal of time deposits with original maturity of over three months when acquired		5,116	4,962
Net cash flows used in investing activities		(4,972)	(52,383)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended September 30, 2015



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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2015

1 GENERAL INFORMATION

Alibaba Health Information Technology Limited (the “Company”), is incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is at Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda. The principal place of business of the Company is located at Greenland Center (before October 31, 2015: Fairmont Building), Beijing, the People’s Republic of China (“PRC”).

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

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

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ended September 30, 2015 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended March 31, 2015.

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

The accounting policies adopted in, and basis of, preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements of the Group for the year ended March 31, 2015, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s interim condensed consolidated financial statements:

Amendments to HKAS 19

Annual Improvements 2010-2012

Annual Improvements 2011-2013

Defined Benefit Plans: Employee Contributions

Amendments to a number of HKFRSs

Amendments to a number of HKFRSs

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2015

**3 REVENUE AND SEGMENT INFORMATION**

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

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

4 OTHER INCOME AND GAINS

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

5 SHARE OF PROFIT OF A JOINT VENTURE

The Group recorded a share of profit from a 49%-owned joint venture, Beijing Honglian 95 Information Industries Company Limited (北京鴻聯九五信息產業有限公司) ("HL95") for both periods.

6 SHARE OF PROFIT OF AN ASSOCIATE

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2015

7 LOSS BEFORE TAX

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

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

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

8 INCOME TAX EXPENSE

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2015

9 LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

No adjustment has been made to the basic loss per share amounts presented for the six months ended September 30, 2015 in respect of a dilution, as the impact of the share options and restricted share units outstanding had an anti-dilutive effect on the loss per share amounts presented. The Group had no potentially diluted ordinary shares in issue during the six months ended September 30, 2014.

10 TRADE RECEIVABLES

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

The Group offers a credit period of 90 days to some of its trade customers and each customer has a maximum credit limit. Trade receivables are settled in accordance with the terms of the respective contracts. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2015

11 SHARE-BASED COMPENSATION EXPENSE**Share option scheme**

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

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

Share award scheme

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2015

11 SHARE-BASED COMPENSATION EXPENSE (continued)**Share award scheme (continued)**

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

	Number of options '000	Number of RSUs '000
Outstanding at April 1, 2015	–	–
Granted/conditionally granted during the period*	42,543	20,003
Forfeited during the period	(10,046)	(1,298)
Outstanding at September 30, 2015	32,497	18,705
Average fair value per unit at September 30, 2015	HK\$2.56	HK\$5.22

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2015

11 SHARE-BASED COMPENSATION EXPENSE (continued)**Share award scheme (continued)**

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

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

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

12 TRADE PAYABLES

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2015

**13 SHARE CAPITAL**

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2015

14 OPERATING LEASE ARRANGEMENTS

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

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

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

15 RELATED PARTY TRANSACTIONS**(i) Transactions with other related parties:**

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2015

15 RELATED PARTY TRANSACTIONS (continued)**(I) Transactions with other related parties: (continued)**

- (b) On September 7, 2015, the Company granted/conditionally granted a total of 12,936,000 share options, with an exercise price of HK\$5.184 per share, and 3,462,000 RSUs to Mr. Wang Lei, the Chief Executive Officer of the Company and an executive Director, and Ms. Ma Li, Mr. Meng Changan and Mr. Wang Peiyu, each a director of a subsidiary or certain subsidiaries of the Company, in accordance with the terms of the Share Award Scheme. The Group recognised a share-based compensation expense of HK\$1,631,000 during the six months ended September 30, 2015 (six months ended September 30, 2014: Nil). Further details of the transaction were set out in the announcement of the Company dated September 8, 2015.
- (c) On April 6, 2015, the Company resolved to conditionally grant 3,300,000 RSUs to Mr. Wang Yaqing, a director of a subsidiary of the Company and on April 21, 2015 the Company granted 8,700,000 options to Mr. Wang Yaqing in accordance with the terms of the Share Award Scheme. Further details of the transaction were set out in the announcement of the Company dated April 21, 2015. Mr. Wang Yaqing subsequently resigned from the Group before the above mentioned RSUs were granted and the above mentioned options were also forfeited as a result.
- (d) HL95 is a 49%-owned joint venture of the Company. On April 3, 2015, the Group entered into a call center outsourcing service agreement with HL95, pursuant to which HL95 will provide certain call center services to the Group. The term of the Agreement is one year commencing on April 1, 2015. The Group uses call center services in the ordinary and usual course of its business. During the six months ended September 30, 2015, service fees of HK\$3,128,000 were charged by HL95 to the Group (six months ended September 30, 2014: Nil).

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

(II) Compensation of key management personnel of the Group

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2015

16 PROPOSED ACQUISITION

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

17 APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

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