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

2020 INTERIM REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. ZHU Shunyan
(Chairman and Chief Executive Officer)
Mr. TU Yanwu

Non-executive Directors
Mr. WU Yongming
Mr. XU Hong

Independent Non-executive Directors
Mr. LUO Tong
Mr. WONG King On Samuel
Ms. HUANG Yi Fei (Vanessa)

Audit Committee
Mr. WONG King On Samuel (Chairman)
Mr. LUO Tong
Ms. HUANG Yi Fei (Vanessa)

Remuneration Committee
Ms. HUANG Yi Fei (Vanessa) (Chairman)
Mr. WU Yongming
Mr. WONG King On Samuel

Nomination Committee
Mr. ZHU Shunyan (Chairman)
Mr. LUO Tong
Mr. WONG King On Samuel

AUTHORIZED REPRESENTATIVES
Mr. ZHU Shunyan
Ms. LEE Wai Yan Vivian

COMPANY SECRETARY
Ms. LEE Wai Yan Vivian

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

AUDITOR
Ernst & Young
Certified Public Accountants

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BRANCH SHARE REGISTRAR (IN HONG KONG)
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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.
Bank of Ningbo Co., Ltd.
JPMorgan Chase Bank
Agricultural Bank of China

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As the healthcare flagship of Alibaba Group Holding Limited ("**Alibaba Holding**", together with its subsidiaries, "**Alibaba Group**"), Alibaba Health Information Technology Limited (the "**Company**" or "**Alibaba Health**", together with its subsidiaries, the "**Group**"), whose mission is to "make good health achievable at the fingertips", continues to consolidate its established advantages in pharmaceutical and healthcare businesses, while focusing on future deployment. With the vision of "facilitating medicine through big data and using the Internet to change health to provide fair, affordable and accessible medical and healthcare services to 1 billion people", the Group has been dedicated to establishing a reliable and affordable healthcare services system under our commitment to the achievement of "good medicines, renowned doctors and assurance" by means of technological and business model innovations. The Group continues to actively expand its pharmaceutical and healthcare product and service sales business, and its Internet-based medical and healthcare services platform based on mobile Internet and Artificial Intelligence (AI) technology, to promote the reform and upgrade of information technology for local medical services, so as to support the traditional medical industry to establish its new digital infrastructure.

Cloud-based pharmacy business

With users as the core of the cloud-based pharmacy business, we have been promoting the pharmaceutical direct sales business, the business of Tmall's Pharmaceutical Platform and the new retail business on an omni-channel basis through combining quality supplies to build an integrated health management platform that combines online and offline medical services for users with healthcare needs. During the six months ended September 30, 2020 (the "**Reporting Period**"), we had further developed our business from a pharmaceutical e-commerce sales platform to a health management services platform. On one hand, we continued to actively expand our cooperation with recognized upstream brands, and further strengthen our business partnerships with pharmaceutical, nutritional and healthcare product manufacturers and major domestic pharmaceutical distributors. As at the end of the Reporting Period, the Group was authorized to undertake the management of or open more than 100 franchised flagship stores on Tmall platform, helping these brands to achieve favorable sales performance on Tmall's Pharmaceutical Platform. On the other hand, we provided consumers with comprehensive online healthcare services and solutions through programs such as Chronic Disease Welfare Program^ (慢病福利計劃), medical consultation services by physicians and pharmacists and "Drug Safety Program for Chinese Households".

The Group has been actively utilizing Internet technologies and Internet of Things technologies to build a whole-value-chain omni-channel for the supply of healthcare products and a new retail system. Capitalizing on its established online platform advantages and its understanding of the market and its users, the Group connects upstream industry chain players (e.g. manufacturers and leading distributors) to offline pharmaceutical retail chains to offer quality, affordable, professional and safe products and services to downstream players and consumers at competitive prices. A whole-value-chain supply system helps to boost efficiency in the supply chain and build up the connection between manufacturers, distributors and consumers, so that consumers can benefit from the manufacturers and our online comprehensive healthcare management services. Such enhanced connection satisfied the needs for drugs and healthcare products from consumers and will create new healthcare demand continuously.

- ***Pharmaceutical direct sales business***

The Group has always been upholding the service philosophy of "Comprehensive and Safer", providing consumers with a wide range of health products with strict quality control through its pharmaceutical direct sales business, including prescription drugs, over-the-counter (OTC) drugs, health supplements, medical devices and contact lenses, and is committed to providing consumers with better shopping experience and after-sales protection. During the Reporting Period, driven by the Group's advantages in operation and branding, as well as efficient execution, the pharmaceutical direct sales business maintained rapid revenue growth. As at September 30, 2020, our direct online stores (Alibaba Health Pharmacy^ (阿里健康大藥房) and Alibaba Health Overseas Flagship Store^ (阿里健康海外旗艦店)) accumulated more than 65 million annual active users (those who made one or more actual purchase(s) on our direct online stores in the past 12 months), representing an increase of 17 million within the Reporting Period. In September 2020, to ensure drug safety, our direct sales stores joined hands with Chinese Medical Association to launch the Drug Safety Program for Chinese Households^ (中國家庭安全用藥計劃) (such program was comprised of "Cloud-based Household Medicine Chest"^ (家庭雲藥箱) and home use drug instruction manual) and open the AI system for safe drug to the whole industry, providing consumers with professional, safe and comprehensive medication guidance.

During the Reporting Period, the Group's pharmaceutical direct sales business furthered its efforts in operating the Chronic Disease Welfare Program^ (慢病福利計劃), and provided effective lifecycle solutions to users with chronic diseases. Following the introduction of chronic disease management services such as membership services for chronic patients, follow-up drug consultations, patient education and Tele-Care follow-up service. Both membership coverage rate for chronic patients and average drug use duration increased as a result, and the user experience improved as well. In the area of new medicines, the Group further promoted in-depth online cooperation with upstream pharmaceutical companies. In September 2020, we joined forces with a leading global pharmaceutical company, AstraZeneca, to debut their original anti-cancer drugs in Alibaba Health's direct drugstores. Through the Group's substantive user base, brand influence, industry-leading technologies and operational capabilities, the accessibility of such products was further enhanced, the adherence and convenience of anti-tumor treatment were improved, thus meeting the medication and health management needs of cancer patients.

Meanwhile, the Group's service capabilities in warehousing, logistics, customer service, quality control, etc. were further enhanced. In terms of warehousing and logistics, in order to expand the geographic coverage of goods and improve the efficiency of delivery, the Group had built a distribution network with nine warehouses located in seven different locations thus making next-day delivery available in 60 key cities. During the Reporting Period, the Group had been equipped with cold chain storage and distribution capacity in direct-to-patient (DTP) service, and its application in new and cancer drugs had been commenced. In terms of international import and retail business of our direct pharmacy, we improved cross-border medicine purchase experience through building compliant and reliable medicine warehouse in Beijing and Hong Kong. With the accelerated development of our pharmaceutical direct sales business, the Group continued to invest in quality control to ensure drug safety through implementation of AI system, insurance on authenticated drug purchase, transparent laboratories and full-process tracking system. The establishment and steady improvement of these comprehensive service capabilities continuously enhanced the user's confidence in our direct stores, resulting in a significant increase in user repeated purchase.

- ***Pharmaceutical e-commerce platform business — Tmall's Pharmaceutical Platform***

During the Reporting Period, the Group continued its full operation of Tmall's Pharmaceutical Platform. In particular, the Group currently owns and operates platform businesses relating to drugs and other pharmaceutical products, foods for special medical purposes (FSMPs), medical devices and healthcare products, sexual health and family planning products, contact lenses, health food, as well as medical and healthcare services on Tmall's Pharmaceutical Platform, which have previously been acquired from Alibaba Group. In the meantime, the Group continues to provide outsourcing and value-added services for the product categories of nutritional supplements (excluding health food) on Tmall.

During the Reporting Period, the gross merchandise volume (GMV) generated by Tmall's Pharmaceutical Platform as operated by the Group exceeded RMB55.4 billion, representing a year-on-year growth of 49.7%. As at September 30, 2020, annual active users of Tmall's Pharmaceutical Platform (consumers who made one or more actual purchase(s) on Tmall's Pharmaceutical Platform in the past 12 months) exceeded 250 million, representing an increase of more than 60 million within the Reporting Period. In addition, Tmall's Pharmaceutical Platform had provided services to more than 18,000 merchants, representing an increase of nearly 4,000 merchants within the Reporting Period.

The Group carried out a variety of innovative activities and services in different industry categories, continuously created value for merchants and consumers on our platform. We have been leading the development of the pharmaceutical e-commerce industry. For supply chain, the Group continued to engage in Alibaba's Spring Thunder Initiative^ (春雷計劃), dedicating its efforts to improve its portfolio, and developed six core nutritional products, including Chinese wolfberry, ginseng, panax notoginseng, ejiao (donkey hide gelatin), bird's nest and honey, thereby improving the supply chain capabilities of origins, promoting the production and sales of nutritional products from origins, and had delivered remarkable results. As for the increasing demand from consumers for healthcare-lite and nutrition-lite products, we have been expanding product categories and have incubated five family healthcare brands at RMB100 million level. We continued to focus on identifying and building target users, creating and conducting in-depth operation of vertical IP matrix for health industry.

With respect to prescription drugs, the Group established the "1+N" brand linkage mechanism, and set up ten disease centers for diseases such as heart disease, diabetes and liver disease. By establishing a matrix integrating user traffics, medical contents, doctors and after sales drug reminder, we provide more inclusive services with higher quality to target consumer groups.

- ***Pharmaceutical e-commerce platform business — New retail model***

Based on our accumulated experiences, the Group continues to explore in-depth development strategy and path of the new pharmaceutical retail segment. As at September 2020, the 24/7 30-minute drug delivery service continued to expand to cover a total of 24 cities, including Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou, Wuhan and Jinan. At the same time, we launched the one-hour "urgent drug delivery" service in more than 200 cities nationwide, and will roll this out to more cities in the future.

Through joint efforts with Internet hospitals by successfully gaining access to online social medical insurance system in Guangzhou, the Group managed to offer a pilot service that allows individuals in Guangzhou to purchase certain drugs online with their own social medical insurance accounts. This has created a complete process of online and offline drug purchases. Based on our accumulated operational experiences and capabilities, the Group continued to expand its O2O prescription drug services and optimize its online prescription renewal system and prescription compliance control system, providing whole-value-chain drug purchase services for returning patients during the whole process of online follow-up consultations, prescription renewal and drug delivery on the basis of compliance supervision.

During the Reporting Period, the Group continued to explore innovative modes of business cooperation. It partnered with AstraZeneca, a leading global pharmaceutical company, to explore whole-value-chain cooperation in new retail. Based on Tmall's Pharmaceutical Platform, our cardiac center service was launched to provide patients with three chronic diseases (hypertension, hyperlipidemia and high blood sugar) with a series of innovative medication experience, including online consultation, patient education and drug home delivery services. Meanwhile, the Group further deepened its cooperation with more than 40 thousand O2O alliance merchants and 27 upstream brands to achieve whole-value-chain cooperation through collaboration with pharmacy chains; through in-depth integration of the upstream and downstream supply chain, it provided pharmaceutical business with capabilities for speedy sales coverage, launch, distribution, and one-stop marketing solutions.

Future prospects

As the largest pharmaceutical e-commerce platform in the PRC, there is plenty of room to grow sustainably for the business of Tmall's Pharmaceutical Platform. With the increasing demand of residents for healthcare in the post-pandemic period, healthcare consumption accounts for an increasing proportion of household expenditure. The Group will continue to develop and expand new categories to provide a wide range of choices to meet the diversified needs of users. On this basis, we will constantly synergize with our merchants to expand the ecological boundary of the platform and achieve constant growth in the number of new users. Meanwhile, we will remain committed to accelerating the development of the services of follow-up consultation and prescription renewal and online purchase of drugs for chronic diseases and common diseases. In compliance with relevant laws and regulations and taking user value as our starting point and goal, we aim to provide scientific and professional patient education to customers in collaboration with upstream industries, and lead the sound development of the industry to foster greater potential of growth building on the establishment of general practice for online sales of drugs and healthcare products.

The direct sales business has been continuously interacting with consumers in scenarios on household drug safety. The launch of "AI drug safety system" and "Cloud-based Household Medicine Chest" demonstrated our commitment to improving the service experience and stickiness of our customers, and strengthening the user recognition of "Comprehensive and Safer", through whole-value-chain supply system (including DTP), professional and reliable quality control system, lean and efficient warehousing, distribution and customer service system and comprehensive and warm family health management system. In the meantime, we will make the best use of traffic resources from all the portals of Alibaba Group to acquire new customers and expand customer base constantly.

In terms of pharmaceutical new retail, the Group will optimize relevant service experience while securing our supplies and services. We will also stick to the synergic strategy of Alibaba Group in intra-city retailing and closely cooperate with its ecosystem partners to keep introducing new quality resources and channels, so as to meet consumers' diversified needs and jointly build local pharmaceutical service networks. On the supply side, we will continue to improve efficiency while reducing costs, diversify our product portfolio, create synergy with all ecosystems within the Group, accelerate the implementation of urban medical insurance program and enrich the range of application scenarios for "interaction and promotion of pharmacy, medical service and medical insurance (business)", so as to achieve long-term and sustainable development.

In terms of brand cooperation, driven by digital solutions, we will support pharmaceutical companies through whole-value-chain cooperation. We expect to see more room for expansion in the Group's pharmaceutical direct sales business, pharmaceutical e-commerce platform business and pharmaceutical new retail business, and will proceed with the exploration of innovative modes of cooperation with upstream pharmaceutical corporations. Looking into the future, we will continue to explore the trillion-level pharmaceutical and healthcare retail market to achieve sustained growth by leveraging the driving force of constantly meeting user needs as well as enhancing user experience and value.

Medical and healthcare services business

During the Reporting Period, based on the health management services platform of cloud-based pharmacy, the Group has been increasing its efforts in the field of Internet healthcare by combining its consumer healthcare business, Internet healthcare business and other business as the medical and healthcare services business, being committed to combining "Dr. Deer"^ (醫鹿) APP and Alipay to build an Internet-based tiered medical system for local medical and healthcare services that combines online and offline medical services, and continued to provide multi-faceted, multi-level, professional and convenient medical and healthcare services for end-users of, among others, Taobao, Tmall, Alipay, "Dr. Deer" APP and Quark search. As at the end of the Reporting Period, over 39,000 doctors at intermediate or above rankings in professional titles, including chief doctors, associate-chief doctors, and attending doctors had signed up with the Group to provide online health consultation services, representing an increase of nearly 10,000 doctors within the Reporting Period.

The outbreak of COVID-19 had highlighted the demand for online medical services. In order to provide a solution to such issue, the Group has initiated a comprehensive repositioning of its Internet medical and healthcare business through the launch of a standalone medical and healthcare APP, namely "Dr. Deer" APP which focuses on providing services such as medical information search, medical consultation, medical appointment, vaccination appointment, health screening appointment and drug express delivery, aiming to provide users with one-stop convenient online medical and healthcare services. With twin search engines of "Quark" (a generic searching engine) and "Dr. Deer" (a vertical search engine) and through personalized dissemination of information, we aspire to provide users with authentic medical information and capabilities of medical consultation with professional doctors. Meanwhile, supported by medical AI technology, the Group has been committed to making medical consultations more inclusive and intelligent by means of technological service innovation and public welfare initiatives. At the doctor-end, we helped increase the level of smart health adoption through AI consultation assistant tools, and constantly improved the clinical reception experience. In October 2020, the "free medical consultation service" function was launched on "Dr. Deer" APP. It fully demonstrates the Group's determination to explore and develop the idea of "creating a better life for all with science and technology" based on users' needs.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

We are committed to providing comprehensive online medical resolutions, so as to enable consumers to experience better medical services in an all-round way through diversified channels of services. Not only can our users acquire professional and convenient online medical consultation services through "Dr. Deer" APP, they can also acquire critical disease local clinic referral service through Alipay, or acquire professional and reliable drug use guidance, follow-up consultation and prescription renewal as well as medical consultation services through "cloud-based pharmacy", the integrated health management platform on Taobao, Tmall and Alipay.

Through "Dr. Deer" APP and multiple service portals such as Alibaba Health Pharmacy, Tmall Pharmacy and Alipay's healthcare channel, users with minor diseases are given access to fast and convenient medical solutions for the complete process of search, analyze, consult, prescribe and purchase; and users with more critical diseases can also complete online search, medical information viewing, medical consultations, online appointment and registration, as well as the complete process of offline medical procedures through the platforms, e.g. registration, consultation and recovery treatment.

The Group had established and continued to operate an exclusive and independent healthcare channel for Alipay users. As at September 30, 2020, Alipay had over 35,000 contracted medical institutions, including more than 4,000 Class II and Class III hospitals. Moreover, over 700 Class III hospitals in 27 provinces across the country had been connected to medical insurance reimbursement services. The Group had implemented a series of measures to provide easy and convenient services to the public during the pandemic, including, among others, anti-COVID-19 information and education, and online medical consultation. Driven by such measures, the number of active users of our medical and healthcare services continued to increase rapidly. From April to September 2020, the net number of active users of Alipay's healthcare channel grew to more than 330 million on an accumulative basis.

During the Reporting Period, the Group continued to build an ecosystem in the medical and healthcare services industry, covering vaccines, and health screening, etc. As at the end of the Reporting Period, the Group had established cooperation with more than 2,700 public and private medical examination centers, providing users with consumer-grade and professional/medical-grade examinations, which support multiple ways of examination, such as onsite exam, home visit exam and sample delivery exam. Diversified products and services are also available through "Dr. Deer" APP, Tmall, Alipay, DingTalk and other channels. During the Reporting Period, the nucleic acid testing services carried out by the Group had been made available in more than 100 cities, fulfilling the needs of multiple groups of people.

In the vaccine segment, we continued to enhance our dual-engine growth deployments of "vaccine booking service platform" + "vaccine ecosystem". During the Reporting Period, Alibaba Health's Immunization Planning Center released Vaccine Service Platform 2.0, and enabled platform service for all vaccination centers nationwide. After logging into Alibaba Health's "Dr. Deer" APP or Alipay's healthcare channel, users may access the vaccination sites that have registered on the platform, and enjoy the one-stop services of registration, booking, smart planning and reminder for vaccination covering all categories, including vaccines for children, HPV vaccines for adults and influenza vaccines. In the meantime, scientific promotion of vaccine and consultation services for vaccination are also available. With the introduction of Vaccine Service Platform 2.0, users are provided with access to more convenient vaccination services, and vaccination sites are able to improve their capabilities in vaccination management as well as content promotion and education, thus further enhancing awareness and acceptance, accessibility and inoculation rate.

In pursuit of a better life for all with science and technology, building on our successful operation of the "Global MediXchange for Combating COVID-19 (GMCC)" platform, the Group gathered top-notch hospital and doctor resources. With our industry-leading brand value, technical capabilities and traffic advantages, we will help medical experts and doctors in China to amplify their value and contributions and continue to provide affordable healthcare services to patients and their families across the country by leveraging on the maximum effectiveness of Internet-based public medical services. As at September 30, 2020, the Group had organized 18 international academic webinars, including the Alibaba Health and Cell Press Life Science Week Online. Harnessing the power of technology, we facilitated academic sharing and exchange between domestic and foreign medical experts, and further disseminated know-hows to more medical workers through the Internet.

During the Reporting Period, by harnessing the power of technology, Alibaba Health explored the mode of alleviating poverty with digital healthcare. Utilizing its digital capability, Alibaba Health built the online platform to organize online training provided by volunteer doctors for doctors in areas of poverty, and helped 13 hospitals and over 450 medical staff sharpen their professional skills. Such mode was promoted to various areas including Nangqian County of Qinghai Province, Ganzi Autonomous Prefecture and Songpan County Aba Prefecture of Sichuan Province, Weinan City of Shaanxi Province. Through the Internet, we have been bringing more and more medical academic experience to areas of poverty in China, and sharing top-notch expert resources with basic medical institutions, while making continuous efforts in deepening the mode of alleviating poverty with digital healthcare, thus creating a better life for all with science and technology.

Future prospects

As a result of the COVID-19 pandemic, users are more willing to use Internet-based healthcare services and more government policies in related field are issued. By taking advantage of this opportunity, the Group will continue to accumulate experience, and integrate resources and capabilities, to provide high-quality and efficient integrated healthcare services in both online and offline settings for our constantly growing user base. We will continue to increase our investment in the Internet healthcare business, and, driven by the twin search engines of "Quark" (a generic search engine) and "Dr. Deer" APP (a vertical search engine), continue to accumulate and enrich quality and professional information, and utilize the comprehensive and multi-dimensional healthcare tools and service capabilities through technological and model innovations, aiming to become China's preferred online healthcare services platform.

In order to implement the spirit of the Opinions on Deepening the Reform of the Medical Insurance System^ (《中共中央國務院關於深化醫療保障制度改革的意見》) and "Internet Plus Healthcare" Development issued by the State Council General Office^ (《國務院辦公廳關於促進「互聯網+醫療健康」發展的意見》), the Group will vigorously drive innovation in the model of "Internet +" healthcare services, constantly improve the quality and scale of service, so as to fulfill the need of the public for convenient healthcare services. Meanwhile, the Group will help more brick-and-mortar hospitals establish and provide online medical consultation services, thereby expanding the platform and pushing forward the popularization of "Internet +" healthcare in a concrete and efficient manner. Taking this as an opportunity, we will achieve in-depth links and collaboration among our different business segments, promoting widespread "interaction and promotion of pharmacy, medical service and medical insurance (business)" within our ecosystem of Alibaba Health, so as to establish a unique competitive edge and lead the industry.

With respect to local healthcare services, we will continue to explore the market space with great potential, strive to build a leading online vaccination appointment platform in China. By providing an online service capability matrix with online booking at its core, we will improve the vaccination service experience for Chinese consumers and further increase inoculation rate. We will also strengthen cooperation with upstream pharmaceutical companies to further cultivate consumer recognition on the basis of optimizing supply, while building a leading online service platform in the industry. In the field of health screening, the Group will strengthen the synergies and coordination with Alibaba Group's existing ecosystem partners, such as Alipay, UC, Quark, Meinian Onehealth and iKang Guobin, to actively expand Alibaba Group's local life service portals. We will diversify product supply and tap into our leading operational capabilities and technical strengths to realize sustainable growth and returns as an industry leader.

Tracking and digital health business

- ***Digital health business***

  During the Reporting Period, the Group continued to deepen its exploration of digital health in collaboration with governments and hospitals and vigorously promote the construction of digital infrastructure for medical industry, so as to provide affordable and convenient medical and healthcare services to the public by enhancing regional information digitalization levels.

  Through its related company, Seenew Medical Technology (Zhejiang) Co. Ltd.^ (熙牛醫療科技(浙江)有限公司) ("**Seenew Medical**"), the Group is dedicated to the construction of smart hospital information system for medical institutions and to the development of new digital infrastructure for regional medical and healthcare services that covers comprehensive business processes including medical care, public health and management. During the Reporting Period, the "Future Hospital" information system, jointly built by Alibaba Health, Seenew Medical and First Affiliated Hospital, Zhejiang University School of Medicine ("**FAHZU**"), was officially launched in Yuhang Campus of FAHZU. This smart information system, designed by Seenew Medical, has been helping the hospital to upgrade its information system, to develop its Medical Knowledge Database, and to carry out quality control of its medical records, clinical decision support and medical risk monitoring, etc., thereby improving its diagnosis and treatment, meeting FAHZU's need of digitalization, and making FAHZU the first smart hospital to officially enter an era of cloud computing. This is the first smart hospital information system in the PRC which is built on cloud architecture, and forms part of the Group's important deployment in the field of digital medical infrastructure.

  With the State's increased funding in basic healthcare and development of distance health consultation system, more people will benefit from the mode of "Internet + medical service". In October 2020, the county-level development project of cloud-based smart health platform of Weishan County, built by Seenew Medical, was reviewed and approved by Health Commission of Yunnan Province. Meanwhile, Seenew Medical had officially launched the smart cloud-based medical management system in Tiantai County, Zhejiang Province, making it the first county to use cloud-based system to manage online and offline medical services and facilities.

The smart hospital information system and innovative infrastructure for regional medical and healthcare services are constructed to assist hospitals and regional medical systems to realize the upgrade of digitalization. This solution is universally applicable so that it can be seamlessly replicated to other hospitals and regions, helping to accelerate the digitalization process in all hospitals.

Future prospects

Based on its technology and practical experiences accumulated in the cooperation with the government and enterprises, the Group will continue to assist more governmental and industry partners in informatization upgrade of medical services. We will actively synthesize our experience from the "Future Hospital" project, and will work closely with our ecosystem partners including Alibaba Cloud. As a major healthcare player in the construction of "city brains" across China, we will expand and apply the leading technical capabilities and operational experience of Alibaba Health and its ecosystem partners in the healthcare industry to more domains. Based on this, we will gain access to more customer resources and operational portals.

With a high level of synergy of digital medical technologies and healthcare services, we will realize data interconnection between hospital and online information platforms, better serve the government and medical institutions, and build regional-based ecological operation systems to explore and expand the boundaries of the model of digital medical management system. We will use our smart hospital information system and innovative infrastructure for, among others, regional medical and healthcare services to develop those of our existing projects that have been successfully launched and operated as benchmarks. On this basis, we will promote their extensive application in the new regional digital healthcare infrastructure market in China in the future, which will also help to promote the implementation of tiered medical system, facilitate the construction of county-level medical management system and assist in national medical reform.

- ***Tracking business***

During the Reporting Period, our digital infrastructure tool for tracking in the pharmaceutical distribution industry, Ma Shang Fang Xin^ (碼上放心), continued to grow in a steady progress.

As at the end of the Reporting Period, the Group has achieved a coverage of over 98% for the manufacturers of key varieties (such as bid-winning varieties in centralized purchase, blood products, narcotic drugs and psychotropic drugs) with specific traceability requirement by the State, with 100% coverage for vaccine manufacturers.

During the Reporting Period, we implemented multiple innovative explorations for our Ma Shang Fang Xin business. In respect of industry development, we started providing full traceability services for medical devices and TCM decoction pieces. In the field of non-medicine tracking, we continued to provide tracking services for various segments including nutritional products, healthcare supplements, food, fresh produce, milk powder and wines, providing tracking services for more than 2,000 brands. For research and development of new drugs, our tracking code business made breakthrough in terms of the application in clinical trials. The blended and full-process tracking in clinical trial of new drugs was realized with the "one object, one code" tracking technology, and has been successfully applied to the clinical trial of stem cell therapy for severe COVID-19 patients during the pandemic, and is currently applied to various clinical trials projects. In respect of consumer application of tracking code, we continually optimized the private operating platform, introduced upstream pharmaceutical enterprises, and created scenarios with customers by code-scanning, thus enabling our customers to get access to more information and services by code-scanning. In the field of vaccine supervision, based on our existing vaccine tracking business in Guizhou Province, the Group completed the province-wide vaccination tracking cooperation with Heilongjiang Province and Anhui Province, through which every vaccine that flows into the provinces from the manufacturers to the center for disease control and prevention and then to a vaccination center can be promptly and accurately recorded, and the vaccination tracking data can be stored, in such a way that the origin and whereabouts of even the smallest vaccination package can be traced throughout the whole process of circulation and use. As a good example of science and technology serving the general benefits of people, the creation of the whole-value-chain tracking model enables the government's smart supervision of vaccines and also provides free access to information about the availability and flow of vaccines to the public. These innovative achievements mark the Group's progress towards medical tracking and will serve as an impetus to enhance our position and business value in the tracking and digital health industry.

Future prospects

With the promulgation of the Announcement on the Establishment of Information-based and Comprehensive Drug Tracking System for Key Varieties^《關於做好重點品種信息化追溯體系建設工作的公告》by the National Medical Products Administration, it is required by all local authorities that the establishment of the traceability system for key varieties such as bid-winning varieties in centralized purchase, narcotic drugs, psychotropic drugs and blood products should be completed by December 31, 2020. Information throughout the process should be collected to enable the traceability of the aforesaid key varieties. As a pioneer in the field of drug tracking, leveraging its first-mover advantage, Alibaba Health will follow the guidance of this new policy, and continue our construction and development of the Ma Shang Fang Xin platform, accelerate the construction of big data center of drugs, with a view to providing safe, convenient compliant solutions and expanding value-added services for pharmaceutical enterprises and medical institutions.

Based on the Drug Administration Law^《藥品管理法》and the State Council's deployment requirement of drug tracking and with a focus on the "eight standards", the Group will continue to help regulatory authorities in all regions to achieve effective supervision and actively promote the establishment of information-based and comprehensive drug tracking system, enhance the supervision and efficiency, ensure the quality and safety of medicines, strengthen medical insurance fee control, and safeguard the interests of consumers. Meanwhile, as the infrastructure of the Group's pharmaceutical business, the tracking business will continue to provide the underlying technical support for the safety and traceability of prescription drugs sold online.

FINANCIAL REVIEW

The key financial figures of the Group for the six months ended September 30, 2020 and September 30, 2019 are summarized as follows:

	Six months ended September 30,		
	2020	2019	Change
	RMB'000	*RMB'000*	*%*
Revenue	**7,162,031**	4,116,846	74.0
Gross profit	**1,860,316**	1,031,660	80.3
Gross profit margin	**26.0%**	25.1%	N/A
Other income and gains	**142,811**	63,922	123.4
Fulfillment	**(749,449)**	(467,029)	60.5
Sales and marketing expenses	**(508,737)**	(333,252)	52.7
Administrative expenses	**(143,003)**	(105,075)	36.1
Product development expenses	**(229,449)**	(135,138)	69.8
Other expenses	**(7,567)**	(6,236)	21.3
Finance cost	**(1,580)**	(19,462)	(91.9)
Operating profits	**363,342**	29,390	1,136.3
Share of losses of joint ventures	**(5,694)**	(5,344)	6.5
Share of losses of associates	**(33,207)**	(18,418)	80.3
Profit/(loss) for the Reporting Period	**278,554**	(7,629)	N/A
Net gains/(losses) attributable to owners of the parent	**283,431**	(1,102)	N/A
NON-HKFRS ADJUSTMENTS			
Adjusted net profit	**435,759**	112,762	286.4

– Revenue

Revenue of the Group for the Reporting Period amounted to RMB7,162,031,000, representing an increase of RMB3,045,185,000 or 74.0% as compared to RMB4,116,846,000 for the six months ended September 30, 2019. The increase in revenue was mainly attributable to the rapid growth in revenue from pharmaceutical e-commerce platform business and pharmaceutical direct sales business during the Reporting Period.

– *Pharmaceutical e-commerce platform business*

Our pharmaceutical e-commerce platform business comprises the e-commerce platform business relating to pharmaceutical products, health food, medical devices, etc., that the Group acquired from Alibaba Group, the business of providing outsource services to Tmall's Pharmaceutical Platform (in respect of categories other than those that have already been acquired) and the new pharmaceutical retail business. As at the end of the Reporting Period, the Group had acquired the e-commerce platform business of pharmaceutical products, medical devices and healthcare products, health food, sexual health and family planning products, contact lenses, and medical and healthcare services categories from Alibaba Group. During the Reporting Period, the total revenue of the above businesses amounted to RMB925,383,000, representing a year-on-year increase of 71.4%.

– *Pharmaceutical direct sales business*

The pharmaceutical direct sales business of the Group comprises our direct B2C retail, related advertisement business and our centralized procurement and B2B distribution. During the Reporting Period, the general revenue from pharmaceutical direct sales business reached RMB6,036,024,000, representing a year-on-year increase of 75.7%, in which our online direct sales of over-the-counter (OTC) and prescription drugs had contributed 61.7% of the revenue generated from the pharmaceutical direct sales business. The rapid growth in revenue was mainly due to the continual enrichment of the categories of goods sold through the Group's direct B2C retail and stock keeping units ("SKUs"), more detailed management of the pharmaceutical direct sales business, optimization of the customer purchase experience and enhancement of repeated purchases by customers; accelerated business deployment of prescription drug sales business, enriched SKUs for prescription drugs, optimization of shopping process for better transformation, leading to an expanded sales scale of prescription drugs; continuing to strengthen our cooperation with upstream quality brands for integrated marketing. The Group had been authorized to undertake the management of or to establish more than 100 franchised flagship stores on Tmall's Pharmaceutical Platform as at the end of the Reporting Period.

– ***Medical and healthcare services business***

Apart from the aforementioned businesses, the Group continued to explore business models in the areas of Internet healthcare and health services. During the Reporting Period, the Group combined Internet healthcare business, consumer healthcare business and other business into the medical and healthcare services business, and continued to provide multi-faceted, multi-level, professional and convenient healthcare services for end-users of among others, Taobao, Tmall, Alipay, "Dr. Deer" APP and Quark search. The Group actively cooperates with health screening, vaccination, testing and other medical and healthcare service organizations through its online platforms and direct stores, to provide users with safe, professional and transparent medical and healthcare services, as well as health education, consultation, appointment scheduling and other value-added services. During the Reporting Period, revenue of the Group from the medical and healthcare services business including online consultation, health screening, vaccination and nucleic acid testing amounted to RMB175,929,000, representing a year-on-year growth of 43.3%.

– ***Tracking and digital health business***

As at the end of the Reporting Period, the Group has achieved a coverage of over 98% for the manufacturers of key varieties (such as bid-winning varieties in centralized purchase, blood products, narcotic drugs and psychotropic drugs) with specific traceability requirement by the State, with 100% coverage for vaccine manufacturers. Revenue from tracking and digital health business for the Reporting Period was RMB24,695,000, representing a year-on-year growth of 30.3%.

– **Gross profit and gross profit margin**

The Group recorded gross profit for the Reporting Period of RMB1,860,316,000, representing an increase of RMB828,656,000 or 80.3% as compared to RMB1,031,660,000 for the corresponding period of the preceding year. Gross profit margin for the Reporting Period was 26.0%, higher than 25.1% for the corresponding period of the preceding year. The increase was mainly due to the lower purchasing cost resulting from economies of scale of the pharmaceutical direct sales business.

– **Other income and gains**

Other income and gains for the Reporting Period amounted to RMB142,811,000, representing an increase of RMB78,889,000 or 123.4% as compared to RMB63,922,000 for the corresponding period of the preceding year. This was mainly due to the significant increase in interest income and fair value gains on financial assets at fair value through profit or loss ("**FVPL**") during the Reporting Period. In particular, Shandong ShuYu Civilian Pharmacy Corp. Ltd.^ (山東漱玉平民大藥房連鎖股份有限公司), the financial asset at FVPL, recognized a gain on changes in fair value of RMB45,914,000.

- **Fulfillment**

Warehousing, logistics, operation and customer service expenditures incurred by the Group's pharmaceutical direct sales business were included in fulfillment costs. Fulfillment costs for the Reporting Period amounted to RMB749,449,000, representing an increase of RMB282,420,000 or 60.5% from RMB467,029,000 for the corresponding period of the preceding year. Such increase was mainly due to the rapid growth in revenue of the pharmaceutical direct sales business. During the Reporting Period, fulfillment costs accounted for 12.4% of the revenue from pharmaceutical direct sales business, declining from 13.6% for the corresponding period of the preceding year, which reflected the enhancement of operating efficiency of the Group in respect of warehousing, logistics and customer services.

- **Sales and marketing expenses**

Sales and marketing expenses for the Reporting Period amounted to RMB508,737,000, representing an increase of RMB175,485,000 or 52.7% as compared to RMB333,252,000 for the corresponding period of the preceding year. Such increase was mainly due to the increase in promotional costs to publicize the Group's direct stores. Besides, the Group also increased the headcount of its sales and operation functions and innovative business segment staff. During the Reporting Period, sales and marketing expenses accounted for 7.1% of the Group's total revenue, declining from 8.1% for the corresponding period of the preceding year, reflecting the enhancement of efficiency of the Group's market resources deployment.

- **Administrative expenses**

Administrative expenses for the Reporting Period amounted to RMB143,003,000, representing an increase of RMB37,928,000 or 36.1% as compared to RMB105,075,000 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 and professional costs. Administrative expenses accounted for 2.0% of the Group's total revenue for the Reporting Period, lower than the 2.6% recorded for the corresponding period of the preceding year, which was benefited from the sound cost controls and the emerging economies of scale.

- **Product development expenses**

Product development expenses for the Reporting Period amounted to RMB229,449,000, representing an increase of RMB94,311,000 or 69.8% as compared to RMB135,138,000 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 to further invest in the development of medical and healthcare services and products such as "Dr. Deer" APP, as well as to support the rapid growth in its pharmaceutical business.

– **Finance cost**

Finance cost for the Reporting Period amounted to RMB1,580,000, representing a decrease of RMB17,882,000 or 91.9% from RMB19,462,000 for the corresponding period of the preceding year. Such decrease was mainly attributable to the fact that no relevant interest on borrowings incurred during the Reporting Period given that the Group's borrowings from Alibaba Group was fully repaid at the end of last year.

– **Share of losses of joint ventures**

Share of losses of joint ventures represented the share of net operating results of the Group's 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) ("**Zhejiang Bianque**") and our 13.72%-owned joint venture, Jiangsu Zijin Hongyun Health Industry Investment LLP^ (江蘇紫金弘雲健康產業投資合夥企業(有限合夥)). For the Reporting Period, share of losses of joint ventures was RMB5,694,000, while share of losses of joint ventures of RMB5,344,000 was recorded for the corresponding period of the preceding year. The share of losses of joint ventures was mainly attributable to the fact that Zhejiang Bianque was still at an early stage of investment and operation during the Reporting Period.

– **Share of losses of associates**

The Group actively invests in the healthcare field. Benefitting from the services provided to consumers and patients during COVID-19 period, pharmaceutical new retail chains in which the Group made strategic investments last year experienced growth in sales and recorded reduction in losses or positive profits. The Group's share of losses of associates for the Reporting Period amounted to RMB33,207,000, representing an increase of RMB14,789,000 or 80.3% as compared to the share of losses of associates of RMB18,418,000 recorded for the corresponding period of the preceding year. The share of losses of associates for the Reporting Period was mainly attributable to the delayed progress of projects of certain associates of the Group providing services to hospitals due to the impact of the COVID-19, and some associates were still in the transformation or growing stage.

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

During the Reporting Period, the Group's profit amounted to RMB278,554,000, as compared to a loss of RMB7,629,000 for the corresponding period of the preceding year. The Group's adjusted net profit amounted to RMB435,759,000, representing a significant increase of RMB322,997,000 or 286.4% as compared to adjusted net profit of RMB112,762,000 for the corresponding period of the preceding year. Adjusted net profit is based on the profit/(loss) for the corresponding period after excluding non-operating profit or loss items such as share-based compensation expenses, change in fair value of financial assets at FVPL (non-current portion), gain or loss on deemed partial disposal of associates (net of tax), and gain or loss on disposal of associates (net of tax). The increase in adjusted net profit was mainly attributable to the speedy growth and economies of scale of the Group's pharmaceutical e-commerce platform business and pharmaceutical direct sales business. The profitability of the Group continued to improve, which will lay a solid foundation for our further investments and deployments in prescription drug and chronic disease services, medical and healthcare services, medical and pharmaceutical digital infrastructure and other long-term businesses.

To supplement the Group's consolidated financial statements presented in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), the Group has also reported its adjusted net profit, which is not required under, or presented in accordance with, HKFRSs, 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 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 it should not be regarded as being independent from the operational results or financial position presented according to HKFRSs, 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 profit for the six months ended September 30, 2020 and 2019 set out in the table below represents adjustments to the most direct and comparable financial indicator calculated and presented in accordance with HKFRSs (i.e. profit/(loss) for the Reporting Period):

	Six months ended September 30,	
	2020	2019
	RMB'000	*RMB'000*
Profit/(loss) for the Reporting Period	**278,554**	(7,629)
Excluding		
— Share-based compensation	**198,514**	147,156
— Fair value (gains)/losses on financial assets at FVPL, net of tax	**(34,444)**	6,605
— Gain on deemed partial disposal of an associate, net of tax	**(6,865)**	(17,027)
— Gain on disposal of associates, net of tax	**—**	(16,343)
Adjusted net profit	**435,759**	112,762

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

The cash and other liquid financial resources of the Group as at September 30, 2020 and the corresponding comparative figures as at March 31, 2020 were summarized as follows:

	September 30, 2020 *RMB'000*	March 31, 2020 *RMB'000*
Cash and cash equivalents	**12,267,628**	2,594,981
Short-term investment at FVPL — wealth management products	**—**	402,485
Cash and other liquid financial resources	**12,267,628**	2,997,466

Cash and cash equivalents increased by RMB9,672,647,000 or 372.7% from RMB2,594,981,000 as at March 31, 2020 to RMB12,267,628,000 as at September 30, 2020. Such increase mainly reflected the net inflows generated from the Group's cash flow from operating activities and net proceeds from the Group's placing completed on August 12, 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Short-term investment at FVPL was short-term investment in high liquidity bank wealth management products with maturity within three months (including three months).

Cash flows of the Group for the six months ended September 30, 2020 and September 30, 2019 were as follows:

	Six months ended September 30,	
	2020	2019
	RMB'000	*RMB'000*
Net cash flows generated from operating activities	**566,400**	475,639
Net cash flows (used in)/generated from investing activities	**(4,396,292)**	359,333
Net cash flows generated from financing activities	**8,957,393**	1,268,283
Net increase in cash and cash equivalents	**5,127,501**	2,103,255
Cash and cash equivalents at the beginning of the period	**2,594,981**	280,371
Effects of exchange rate changes	**(209,205)**	63,735
Cash and cash equivalents at the end of the period as stated in the interim condensed consolidated statement of cash flows	**7,513,277**	2,447,361
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	**12,267,628**	2,658,998
Non-pledged time deposits with original maturity over three months	**(4,754,351)**	(211,637)
Cash and cash equivalents at the end of period as stated in the interim condensed consolidated statement of cash flows	**7,513,277**	2,447,361

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

For the Reporting Period, net cash flows generated from operating activities amounted to RMB566,400,000, which was primarily attributable to our net profit before income tax from continuing operations of RMB324,441,000, as adjusted by: (1) addition of non-cash or non-operating activities expense items, which primarily comprised share-based compensation expenses of RMB198,514,000, share of losses in joint ventures and associates of RMB38,901,000, depreciation of right-of-use assets and investment property of RMB15,162,000 and impairment of inventories and write-off of RMB5,109,000; deducting non-cash or non-operating activities income items, mainly including bank and other interest income of RMB62,068,000, gain on financial assets at FVPL of RMB46,851,000 and gain on deemed disposal of associates of RMB8,679,000; and (2) changes in working capital, which primarily comprised an increase in other payables and accruals of RMB67,634,000, an increase in trade and bills payables of RMB52,703,000, a decrease in restricted cash of RMB41,396,000, a decrease in inventories of RMB30,408,000, a decrease in long-term receivables of RMB14,527,000, an increase in prepayments, other receivables and other assets of RMB130,472,000, an increase in trade and bills receivables of RMB15,658,000 and a decrease in contract liabilities of RMB11,195,000.

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

For the Reporting Period, net cash flows used in investing activities was RMB4,396,292,000, which was primarily attributable to the amount used in the purchase of fixed deposits for a term of three months and above of RMB4,754,351,000, the net cash used in redemption of financial assets at FVPL of RMB403,415,000 and the recovery of loans to external companies of RMB25,000,000.

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

For the Reporting Period, net cash flows generated from financing activities was RMB8,957,393,000, which was primarily attributable to the net proceeds of RMB8,917,172,000 generated from the Group's placing completed during the Reporting Period. In addition, RMB59,978,000 was received upon exercise of options during the Reporting Period.

– Gearing ratio

As at September 30, 2020, the Group did not have any borrowings, and hence no gearing ratio was shown.

As at September 30, 2020, the Group did not have any material contingent liabilities and had not pledged any Group assets for bank loans or banking facilities.

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 Reporting Period. The board (the "**Board**") of directors (the "**Directors**") of the Company 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, 2020 was 1,036 (990 as at March 31, 2020). Total staff costs of the Group for the Reporting Period amounted to RMB440.3 million (RMB356.6 million for the six months ended September 30, 2019). 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 its employees are rewarded based on their performance.

The Group has also adopted a share award scheme as approved by the shareholders of the Company (the "**Shareholders**") 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, 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

Investment

The Group engaged in trading of short-term and liquid investments and financial assets ranging from unit trusts, structured deposits and other wealth management during the Reporting Period in accordance with its treasury policy initially adopted in June 2015 to utilize surplus cash reserves for treasury management purpose. The Company's treasury policy sets out the selection guidelines and relevant approval procedures for acceptable short-term investments and financial assets with reference to its risk management policy. According to such treasury policy, the Company invests in products including non-equity financial asset investments with strong liquidity which can be realized either at any time or within a short period of time. Such investments shall be subscribed from financial institutions in the approved list, which shall be reviewed every two years. During the Reporting Period, such financial institutions included various branches of the China Merchant Bank, Bank of Ningbo, Pudong Development Bank, Huaxia Bank, Minsheng Bank, Bank of China and Ping An Bank. According to the Company's prevailing approval procedures, any investment decision related to financial assets shall be approved by the financial and treasury manager of the Company, and shall, depending on the size of the investment, be approved by the financial controller or chief financial officer. The Company had no short-term investments at FVPL as at September 30, 2020 (March 31, 2020: RMB402.5 million). During the Reporting Period, (i) the Company had not disposed of any investment at FVPL, and the decrease in the total value of such short-term investments was due to repurchases of the short-term investment products upon expiry during the Reporting Period by issuers in accordance with their relevant terms; and (ii) the Company realized fair value gains of approximately RMB0.93 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital Increase Agreement and Equity Transfer Agreement

On September 23, 2020, Alibaba Health Technology (Beijing) Company Limited^ (阿里健康科技(北京)有限公司) ("**Alibaba Health Beijing**") and Hongyun Jiukang Data Technology (Beijing) Company Limited^ (弘雲久康數據技術(北京)有限公司) ("**Hongyun Jiukang**"), both being subsidiaries of the Company, entered into a capital increase agreement (the "**Capital Increase Agreement**") with Come Future Technology (Zhejiang) Company Limited^ (來未來科技(浙江)有限公司) (the "**Target Company**"), the founders of the Target Company, namely Mr. Qiang Hui (牆輝) ("**Mr. Qiang**") and Mr. Wan Weiqin (萬煒欽) ("**Mr. Wan**") (together, the "**Target Founders**") and the existing shareholders of the Target Company, including Keguan Technology (Hangzhou) Company Limited^ (可觀科技(杭州)有限公司) ("**Keguan Technology**"), Hangzhou Weiran Technology Partnership Enterprise (Limited Partnership)^ (杭州巍然科技合夥企業(有限合夥)) ("**Hangzhou Weiran**"), Beijing Sequoia Shuoxin Management Consulting Centre (Limited Partnership)^ (北京紅杉爍信管理諮詢中心(有限合夥)) ("**Beijing Sequoia**"), Suzhou Vision Plus Equity Investment Partnership Enterprise (Limited Partnership)^ (蘇州圓璟股權投資合夥企業(有限合夥)) ("**Suzhou Vision Plus**"), Hangzhou Vision Plus Chuangheng Equity Investment Fund Partnership Enterprise (Limited Partnership)^ (杭州圓璟創恒股權投資基金合夥企業(有限合夥)) ("**Hangzhou Vision Plus**") and Hangzhou Rongche Technology Partnership Enterprise (Limited Partnership)^ (杭州融澈科技合夥企業(有限合夥)) ("**Hangzhou Rongche**") (together, the "**Existing Target Shareholders**"), pursuant to which (i) Alibaba Health Beijing shall inject RMB216,000,000 in cash into the Target Company, and (ii) Hongyun Jiukang shall make in-kind contribution equivalent to RMB28,800,000 to the Target Company by transferring its 80% equity interest in Seenew Medical Technology (Zhejiang) Co., Ltd.^ (熙牛醫療科技(浙江)有限公司) ("**Seenew Medical**") to the Target Company. Immediately upon completion of the Capital Increase Agreement, the registered capital of the Target Company shall increase to RMB19,569,471 and the Target Company shall be held as to 26.47% by Alibaba Health Beijing and 3.53% by Hongyun Jiukang.

On September 23, 2020, Hongyun Jiukang entered into an equity transfer agreement (the "**Equity Transfer Agreement**") with the Target Company, pursuant to which Hongyun Jiukang shall transfer its 80% equity interest in Seenew Medical to the Target Company as in-kind contribution under the Capital Increase Agreement. Immediately upon completion of the Equity Transfer Agreement, Seenew Medical shall be held as to 80% by the Target Company and 20% by Shanghai Yujun Business Management Partnership Enterprise (Limited Partnership)^ (上海羽雋企業管理合夥企業(有限合夥)).

Mr. WU Yongming ("**Mr. Wu**") is a non-executive Director and therefore a controller of the Company within the meaning of Rule 14A.28(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"). Since Suzhou Vision Plus and Hangzhou Vision Plus (collectively, the "**Vision Plus LPs**") are associates of Mr. Wu (as illustrated below) and they are in turn the substantial shareholders of the Target Company (prior to the completion of the Capital Increase Agreement), the transactions contemplated under the Capital Increase Agreement and Equity Transfer Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries with Mr. Wu:

(i) each of the Vision Plus LPs is an investment fund established as a limited partnership in the PRC which is used for the purpose of managing investments for the benefit of its investors;

(ii) Hangzhou Vision Plus Erjiu Equity Investment Fund Management Partnership Enterprise (Limited Partnership)^ (杭州圓璟二久股權投資基金管理合夥企業(有限合夥)) ("**Erjiu LP**") is the general partner of the Vision Plus LPs. Mr. Wu is the supervisor of, and effectively controls, Hangzhou Vision Plus Capital Management Company Limited^ (杭州圓璟投資管理有限公司), which is the general partner of Erjiu LP;

(iii) Hangzhou Vision Plus has a registered capital of RMB800.8 million and 14 partners, including, among others, Erjiu LP, Ningbo Vision Plus Ruida Equity Investment Partnership Enterprise (Limited Partnership)^ (寧波圓璟睿達股權投資合夥企業(有限合夥)) ("**Ruida LP**") and Ningbo Vision Plus Hengxin Equity Investment Partnership Enterprise (Limited Partnership)^ (寧波圓璟恒鑫股權投資合夥企業(有限合夥)) ("**Hengxin LP**") which hold interest in Hangzhou Vision Plus as limited partners;

(iv) Suzhou Vision Plus has a registered capital of RMB800.8 million and seven partners, including, among others, Erjiu LP and Ruida LP, which hold interest in Suzhou Vision Plus as limited partners; and

(v) Mr. Wu is the supervisor of, and effectively controls, Hangzhou Vision Plus Zhiheng Investment Management Company Limited^ (杭州元璟致恒投資管理有限公司), which is the general partner of Hengxin LP and Ruida LP.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Based solely on the information provided by the management of the Target Company and publicly available information, the Company understands that:

(i) the registered capital of Keguan Technology is currently held by the Target Founders as to approximately 98.04% and a minority individual shareholder who is not a party to the Capital Increase Agreement and the Equity Transfer Agreement as to approximately 1.96%;

(ii) Hangzhou Weiran was established in the PRC as a limited partnership with a registered capital of RMB0.5 million and will be used as the shareholding vehicle of the employees of the Target Company (the "**Target Employees**"). While the registered capital of Hangzhou Weiran is held by Mr. Qiang as to 99% and Keguan Technology as to 1%, Hangzhou Weiran was established primarily as the shareholding vehicle of the Target Employees, and certain nominee arrangement is expected to be entered into by Mr. Qiang and Keguan Technology in favor of the Target Employees;

(iii) Beijing Sequoia was established in the PRC as a limited partnership and is a reputable venture capital investment fund established in the PRC. Based solely on the public searches, Beijing Sequoia has a registered capital of RMB45.51 million and two partners;

(iv) Hangzhou Rongche was established in the PRC as a limited partnership for investment holding purpose, with Keguan Technology acting as its general partner and a registered capital of RMB0.5 million; and

(v) based solely on the public searches and save as disclosed above, each of the Target Founders does not have any interest in Beijing Sequoia, the Vision Plus LPs and Hangzhou Rongche.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, other than the Vision Plus LPs which are associates of Mr. Wu, each of the Target Company, the Target Founders, the Existing Target Shareholders and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

ADDITIONAL INFORMATION

DIRECTORS

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

Executive Directors:

Mr. ZHU Shunyan (Chairman and Chief Executive Officer)
Mr. WANG Qiang (resigned on October 23, 2020)
Mr. TU Yanwu (appointed on October 23, 2020)

Non-executive Directors:

Mr. WU Yongming
Mr. WANG Lei (resigned on October 23, 2020)
Mr. XU Hong

Independent Non-executive Directors:

Mr. LUO Tong
Mr. WONG King On Samuel
Ms. HUANG Yi Fei (Vanessa)

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

The change in information of the Directors pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Company's 2020 annual report dated May 27, 2020 up to the date of this report is set out below:

Mr. WANG Qiang and Mr. WANG Lei have resigned as an executive Director and a non-executive Director, respectively, with effect from October 23, 2020.

Mr. TU Yanwu has been appointed as an executive Director, with effect from October 23, 2020.

ADDITIONAL INFORMATION (CONTINUED)

SHARE AWARD SCHEME

At the special general meeting of the Company held on November 24, 2014 (the "**Adoption Date**"), the Shareholders approved the adoption of 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 the Shareholders at the annual general meeting of the Company held on July 10, 2019 (the "**2019 Specific Mandate**") authorized the Board to exercise all the powers of the Company to grant Share Awards. The 2019 Specific Mandate lapsed at the conclusion of the annual general meeting of the Company held on July 30, 2020, when the specific mandate was then renewed by the approval of the Shareholders (the "**2020 Specific Mandate**"). As at September 30, 2020, Share Awards in respect of a total of 384,213,311 underlying shares, which represent 2.86% of the Company's total issued shares as at September 30, 2020, remain available to be granted under the Share Award Scheme under the 2020 Specific Mandate.

Details of the options and RSUs granted during the Reporting Period and/or outstanding as at September 30, 2020 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 as at March 31, 2020	Date of grant/ conditional grant[14]	Granted during the period	Exercise price (HK$)	Options exercised during the period[15]	Options or RSUs lapsed/ cancelled during the period	RSUs vested during the period	Number of shares represented by options or RSUs outstanding as at September 30, 2020
Directors of the Company									
Mr. ZHU Shunyan	Options	–	June 15, 2020[1]	2,900,000	19.940	–	–	–	2,900,000
	RSUs	–	June 15, 2020	500,000	–	–	–	–	500,000
Mr. WANG Qiang	Options	4,000,000	October 10, 2017[2]	–	4.400	1,812,000	–	–	2,188,000
(resigned on October 23, 2020)	RSUs	450,000	October 10, 2017	–	–	–	–	225,000	225,000
	RSUs	150,000	June 8, 2018	–	–	–	–	–	150,000
	RSUs	336,750	June 14, 2019	–	–	–	–	–	336,750
	Options	–	June 15, 2020[1]	292,500	19.940	–	–	–	292,500
	RSUs	–	June 15, 2020	117,000	–	–	–	–	117,000
Mr. WANG Lei	Options	285,250	July 29, 2016[3]	–	5.558	285,250	–	–	–
(resigned on October 23, 2020)	RSUs	95,000	July 29, 2016	–	–	–	–	95,000	–
	RSUs	1,213,500	June 14, 2017	–	–	–	–	732,750	480,750
Mr. SHEN Difan	Options	4,095,000	June 8, 2018[4]	–	7.240	4,095,000	–	–	–
(resigned on March 16, 2020)	RSUs	375,000	June 14, 2019	–	–	–	–	–	375,000
Employees of the Group	Options	1,133,000	September 7, 2015[5]	–	5.184	445,000	–	–	688,000
	Options	760,500	April 28, 2016[6]	–	5.320	343,000	–	–	417,500
	Options	5,056,250	July 29, 2016[3]	–	5.558	1,787,750	–	–	3,268,500
	RSUs	1,251,250	July 29, 2016	–	–	–	–	1,251,250	–
	Options	295,500	October 11, 2016[7]	–	4.416	–	–	–	295,500
	RSUs	56,000	October 11, 2016	–	–	–	–	56,000	–
	Options	2,460,500	February 2, 2017[8]	–	3.626	689,000	117,750	–	1,653,750
	RSUs	573,750	February 2, 2017	–	–	–	58,750	–	515,000
	Options	116,000	February 22, 2017[9]	–	3.610	–	–	–	116,000
	RSUs	167,500	February 22, 2017	–	–	–	–	153,000	14,500
	Options	1,377,500	June 14, 2017[10]	–	3.902	523,250	–	–	854,250
	RSUs	4,190,000	June 14, 2017	–	–	–	237,250	33,750	3,919,000
	Options	5,433,000	August 3, 2017[11]	–	3.686	1,693,000	188,250	–	3,551,750
	RSUs	1,626,800	August 3, 2017	–	–	–	94,000	802,250	730,550
	Options	2,856,500	October 10, 2017[2]	–	4.400	389,500	–	–	2,467,000
	RSUs	1,134,500	October 10, 2017	–	–	–	–	415,000	719,500
	Options	809,500	February 1, 2018[12]	–	4.144	–	–	–	809,500
	RSUs	854,527	February 1, 2018	–	–	–	146,000	32,250	676,277
	RSUs	16,167,807	June 8, 2018	–	–	–	1,261,749	520,630	14,385,428
	RSUs	8,002,000	July 31, 2018	–	–	–	919,000	2,916,000	4,167,000
	RSUs	7,442,868	October 10, 2018	–	–	–	3,581,820	2,040,613	1,820,435
	RSUs	3,950,220	January 31, 2019	–	–	–	178,495	157,400	3,614,325
	RSUs	19,496,200	June 14, 2019	–	–	–	1,677,750	45,600	17,772,850
	RSUs	8,745,227	August 2, 2019	–	–	–	305,000	1,854,500	6,585,727
	RSUs	2,124,846	September 18, 2019	–	–	–	–	–	2,124,846
	RSUs	4,308,513	February 24, 2020	–	–	–	940,000	187,524	3,180,989
	RSUs	3,049,083	March 16, 2020	–	–	–	130,711	792,802	2,125,570
	Options	–	June 15, 2020[1]	2,886,339	19.940	–	–	–	2,886,339
	RSUs	–	June 15, 2020	14,024,032	–	–	545,000	–	13,479,032
	Options	–	September 15, 2020[13]	119,000	18.660	–	–	–	119,000
	RSUs	–	September 15, 2020	4,244,776	–	–	44,300	–	4,200,476
Employees of the affiliates	Options	–	June 15, 2020[1]	500,000	19.940	–	–	–	500,000
of the Company	RSUs	–	June 15, 2020	1,272,000	–	–	64,000	–	1,208,000
	RSUs	–	September 15, 2020	14,700	–	–	–	–	14,700

ADDITIONAL INFORMATION (CONTINUED)

Notes:

(1) The closing price per share is HK$20.65 as stated in the daily quotation sheets issued by the Stock Exchange on June 12, 2020, being the trading day immediately before the date of grant.

(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.

(3) 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.

(4) The closing price per share was 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.

(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.

(6) 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.

(7) 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.

(8) 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.

(9) 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.

(10) 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.

(11) 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.

(12) 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.

(13) The closing price per share is HK$18.76 as stated in the daily quotation sheets issued by the Stock Exchange on September 14, 2020, being the trading day immediately before the date of grant.

(14) The options and RSUs granted have a specific vesting schedule of not more than four years.

(15) 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$19.68 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, 2019 and 2020, respectively, please refer to Note 2.4 to the Group's consolidated financial statements for the year ended March 31, 2020 and Note 17 to the interim condensed consolidated financial statements for the six months ended September 30, 2020.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the section titled "Connected Transactions" of the Company's annual report dated May 27, 2020, 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 Reporting Period.

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

As at September 30, 2020, 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 (Cap. 571 of the Laws of Hong Kong) (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 (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, 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**	**Approximate percentage of the Company's share capital**
Mr. ZHU Shunyan	Equity derivative interests[(1)]	3,400,000	0.03%
Mr. WANG Qiang (resigned on October 23, 2020)	Beneficial owner and equity derivative interests[(2)]	3,851,270	0.03%
Mr. WU Yongming	Beneficial owner	1,262,000	0.01%
Mr. WANG Lei (resigned on October 23, 2020)	Beneficial owner and equity derivative interests[(3)]	1,378,001	0.01%
	Beneficiary of a trust[(4)]	4,691,341	0.03%

ADDITIONAL INFORMATION (CONTINUED)

Notes:

(1) Subject to vesting, Mr. ZHU Shunyan is interested in 3,400,000 shares underlying the 2,900,000 options and 500,000 RSUs granted to him in accordance with the Share Award Scheme.

(2) Mr. WANG Qiang beneficially held 542,020 ordinary shares and subject to vesting, he is interested in 3,309,250 shares underlying the 2,480,500 options and 828,750 RSUs granted to him in accordance with the Share Award Scheme.

(3) Mr. WANG Lei beneficially held 897,251 ordinary shares and subject to vesting, he is interested in 480,750 shares underlying the 480,750 RSUs granted to him in accordance with the Share Award Scheme.

(4) These interests represented 4,691,341 ordinary shares or underlying ordinary shares held by a private trust whereby Mr. WANG Lei and his family are the beneficiaries.

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. ZHU Shunyan	Beneficial owner, equity derivative interests and interests of spouse[(1)]	2,339,224*	0.01%
Mr. WANG Qiang (resigned on October 23, 2020)	Beneficial owner and equity derivative interests[(2)]	10,064*	0.00%
Mr. WANG Lei (resigned on October 23, 2020)	Beneficial owner, equity derivative interests and interests of spouse[(3)]	1,743,632*	0.01%
	Beneficiary of a trust[(4)]	262,872*	0.00%
Mr. WU Yongming	Beneficial owner and interests of spouse[(5)]	1,632,000*	0.01%
	Founder of a discretionary trust[(6)]	40,909,520*	0.19%
Mr. XU Hong	Beneficial owner and equity derivative interests[(7)]	491,112*	0.00%

Notes:

(1) These interests represented 2,021,224* ordinary shares or underlying ordinary shares and 158,000* restricted share units beneficially held by Mr. ZHU Shunyan and 160,000* ordinary shares or underlying shares held by his spouse.

(2) These interests represented 4,064* ordinary shares or underlying ordinary shares and 6,000* restricted share units beneficially held by Mr. WANG Qiang.

(3) These interests represented 44,936* ordinary shares or underlying ordinary shares, 213,336* restricted share units and 1,440,000* investment units beneficially held by Mr. WANG Lei and 45,360* ordinary shares or underlying shares and restricted share units held by his spouse.

(4) These interests represented 262,872* ordinary shares or underlying ordinary shares held by a private trust whereby Mr. WANG Lei and his family are the beneficiaries.

(5) These interests represented 32,000* ordinary shares held by Mr. WU Yongming, and 1,600,000* ordinary shares held by his spouse.

(6) These interests represented 40,909,520* ordinary shares or underlying ordinary shares held by two private discretionary trusts whereby Mr. WU Yongming is the founder.

(7) These interests represented 148,112* ordinary shares or underlying ordinary shares and 343,000* restricted share units beneficially held by Mr. XU Hong.

* Alibaba Holding approved to effect a one-to-eight share subdivision of its ordinary shares (the "**Share Subdivision**") at the annual general meeting held on July 15, 2019. The Share Subdivision was effective on July 30, 2019. Accordingly, Alibaba Holding has changed its ratio of ordinary shares to American depositary shares ("**ADSs**") from one ADS representing one ordinary share to one ADS representing eight ordinary shares. The ratio of restricted share units to ordinary shares of Alibaba Holding has also changed from one restricted share unit representing one ordinary share to one restricted share unit representing eight ordinary shares.

Save as disclosed above, as at September 30, 2020, 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.

ADDITIONAL INFORMATION (CONTINUED)

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

As at September 30, 2020, the following interests or short positions in the shares and underlying shares 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	Note	Capacity and nature of interest	Number of shares/ underlying shares	% of the issued share capital of the Company
Alibaba Group Holding Limited	(1)	Interest of controlled corporation	8,743,439,415	64.99%
Perfect Advance Holding Limited	(1)	Beneficial owner	3,103,816,661	23.07%
	(1)	Persons acting in concert	1,078,837,347	8.02%
Alibaba Investment Limited	(1)	Interest of controlled corporation	4,182,654,008	31.09%
Innovare Tech Limited	(1)	Beneficial owner	1,078,837,347	8.02%
	(1)	Persons acting in concert	3,103,816,661	23.07%
Yunfeng Fund II, L.P.	(1)	Interest of controlled corporation	4,182,654,008	31.09%
Yunfeng Investment GP II, Ltd.	(1)	Interest of controlled corporation	4,182,654,008	31.09%
Yunfeng Investment II, L.P.	(1)	Interest of controlled corporation	4,182,654,008	31.09%
Mr. YU Feng	(1)	Interest of controlled corporation	4,182,654,008	31.09%
Mr. MA Yun	(1)	Interest of controlled corporation	4,243,230,008	31.54%
Ali JK Nutritional Products Holding Limited	(1)	Beneficial owner	4,560,785,407	33.90%
Uni-Tech International Group Limited	(2)	Beneficial owner	777,484,030	5.78%
21CN Corporation	(2)	Interest of controlled corporation	777,484,030	5.78%
Pollon Internet Corporation	(2)	Interest of controlled corporation	777,484,030	5.78%
Ms. CHEN Xiao Ying	(2)	Interest of controlled corporation	777,484,030	5.78%

Notes:

(1) Perfect Advance Holding Limited ("**Perfect Advance**") holds 3,103,816,661 shares of the Company and Innovare Tech Limited ("**Innovare**") holds 1,078,837,347 shares of the Company.

On October 12, 2018, Innovare and Perfect Advance entered into a shareholders' agreement which constitutes a concert party agreement for the purpose of section 317(1)(a) of the SFO, pursuant to which Perfect Advance enjoys a right of first refusal over 1,078,837,347 shares in the Company held by Innovare.

Alibaba Investment Limited ("**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, (i) each of Yunfeng Fund II, L.P., Yunfeng Investment II, L.P., Yunfeng Investment GP II, Ltd. and Mr. YU Feng is also deemed to have an interest in 4,182,654,008 shares via Innovare; and (ii) Mr. MA Yun is deemed to have an interest in 4,182,654,008 shares via Innovare and 60,576,000 shares via Antfin (Hong Kong) Holding Limited through his controlled corporations within the meaning of Part XV of the SFO.

Ali JK Nutritional Products Holding Limited ("**Ali JK**") holds 4,560,785,407 shares. Ali JK is owned by Alibaba Holding as to 100%. Therefore, Alibaba Holding is deemed to have an interest in an aggregate of 8,743,439,415 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 21CN Corporation. 21CN Corporation is wholly-owned by Pollon Internet Corporation, which is wholly-owned by Ms. CHEN Xiao Ying.

Save as disclosed above, as at September 30, 2020, there were no other parties who 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 has resolved that no interim dividend be declared for the six months ended September 30, 2020 (for the six months ended September 30, 2019: Nil).

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

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

ISSUE FOR CASH OF EQUITY SECURITIES

Placing of New Shares under General Mandate

On August 5, 2020, the Company entered into a placing agreement (the "**Placing Agreement**") with Citigroup Global Markets Limited and Credit Suisse (Hong Kong) Limited (the "**Placing Agents**") in relation to the placing of an aggregate of 498,753,118 new ordinary shares of the Company (the "**Placing Share(s)**") at the placing price of HK$20.05 per Placing Share (exclusive of brokerage, transaction levy of the Securities and Futures Commission and trading fee of the Stock Exchange payable by the purchasers) (the "**Placing Price**") on the terms and conditions set out in the Placing Agreement (the "**Placing**"). The Placing Price of HK$20.05 per Placing Share represents (i) a discount of approximately 8.03% to the closing price of HK$21.80 per share as quoted on the Stock Exchange on August 4, 2020, being the last trading day immediately prior to the date of the Placing Agreement; and (ii) a

ADDITIONAL INFORMATION (CONTINUED)

discount of approximately 6.18% to the average closing price of HK$21.37 per share as quoted on the Stock Exchange for the last five consecutive trading days up to and including August 4, 2020, being the date immediately prior to the date of the Placing Agreement. The Group conducted the Placing based on its insights into, and optimism for the prospects of, the Internet healthcare industry, as well as the need for the Group to further develop its healthcare business and continue its rapid development. The Group viewed the Placing as an opportunity for the Group to raise capital while broadening its shareholder and capital base.

The Placing was completed on August 12, 2020 (the "**Completion Date**"), where a total of 498,753,118 new ordinary shares of the Company, representing approximately 3.71% of the total issued share capital of the Company as at the Completion Date (as enlarged by the allotment and issue of the Placing Shares), have been successfully placed to not less than six placees at a price of HK$20.05 per Placing Share who are professional, institutional and/or individual investors. The Placing Shares were allotted and issued under the general mandate granted by the Shareholders at the annual general meeting of the Company held on July 30, 2020.

The aggregate gross proceeds from the Placing amount to approximately HK$10,000.0 million and the aggregate net proceeds (after deduction of the commissions and expenses relating to the Placing) from the Placing amount to approximately HK$9,964.2 million (the "**Placing Net Proceeds**"), representing a net issue price of approximately HK$19.98 per Placing Share. For further details of the Placing, please refer to the announcements of the Company dated August 5, 2020 and August 12, 2020 (the "**Placing Announcements**").

As at September 30, 2020, the Placing Net Proceeds remain unutilized. The Placing Net Proceeds are expected to be applied in the manner as described below:

Use of Placing Net Proceeds	**Planned use of Placing Net Proceeds as disclosed in the Placing Announcements**	**Actual Use of Placing Net Proceeds for the six months ended September 30, 2020**	**Expected timeframe for utilizing the Placing Net Proceeds** *(Note)*
Develop the Group's pharmaceutical and healthcare omni-channel business and medical and healthcare services business	Approximately HK$7,971.4 million — HK$8,967.8 million	Nil	October 1, 2020 — December 31, 2022
Further develop the Group's digital infrastructure and innovative business	Approximately HK$996.4 million — HK$1,992.8 million	Nil	October 1, 2020 — December 31, 2022

Note:

The Placing Net Proceeds will be applied in the manner consistent with the use of proceeds as disclosed in the Placing Announcements. The expected timeframe for utilizing the Placing Net Proceeds is based on the best estimation of the future market conditions made by the Group as at the date of this report. It will be subject to change based on the current and future developments of market conditions. The unutilized Placing Net Proceeds have been deposited in reputable banks.

Issue of New Shares under Specific Mandate

On July 12, 2019, a total of 302,976,000 ordinary shares (the "**Subscription Shares**") of the Company were issued to Ali JK and Antfin (Hong Kong) Holding Limited ("**Antfin**") for a total cash consideration of HK$2,272,320,000 (the "**Subscription Net Proceeds**") at a subscription price of HK$7.5 per share, pursuant to the subscription agreements (the "**Subscription Agreements**") dated May 23, 2019 entered into by the Company with Ali JK and Antfin, respectively. Ali JK and Antfin are connected persons of the Company. The transactions under the Subscription Agreements (the "**Subscriptions**") therefore constituted connected transactions of the Company in accordance with the Listing Rules. As stated in the daily quotation sheets issued by the Stock Exchange on July 12, 2019, being the date of issue of the Subscription Shares, the closing price per share was HK$7.15. The Subscription Shares were allotted and issued under the specific mandate granted by the Shareholders at the special general meeting of the Company held on July 10, 2019. The Subscriptions enabled the Group to raise funds for its expanding business operations and to maintain a healthy cash position, while keeping its borrowings and the corresponding interest expenses low. For further details of the Subscriptions, please refer to the announcement dated May 23, 2019 and the circular (the "**Subscription Circular**") dated June 24, 2019 of the Company.

As at September 30, 2020, the Group had applied the Subscription Net Proceeds as follows:

Use of Subscription Net Proceeds	Planned use of Subscription Net Proceeds as disclosed in the Subscription Circular	Actual Use of Subscription Net Proceeds for the year ended March 31, 2020	Actual Use of Subscription Net Proceeds for the six months ended September 30, 2020	Unutilized Subscription Net Proceeds	Expected timeframe for utilizing the Subscription Net Proceeds (Note)
Repayment of loans for funding ongoing business operations and expansion and recruitment of personnel to develop Internet-based medical services and intelligent medicine services	HK$1,136,160,000	HK$1,136,160,000	Nil	Nil	Not applicable
Previous committed investments and investment projects under review	HK$568,080,000	HK$49,680,000	HK$69,410,000	HK$448,990,000	October 1, 2020 — December 31, 2021
Future strategic investment opportunities	HK$568,080,000	Nil	HK$11,378,000	HK$556,702,000	October 1, 2020 — December 31, 2021

Note:

The Subscription Net Proceeds have been or will be applied in the manner consistent with the use of proceeds as disclosed in the Subscription Circular. The expected timeframe for utilizing the remaining Subscription Net Proceeds is based on the best estimation of the future market conditions made by the Group as at the date of this report. It will be subject to change based on the current and future developments of market conditions. The remaining unutilized portion of the Subscription Net Proceeds has been deposited in reputable banks.

Save as disclosed above and the options exercised by the relevant grantees under the Share Award Scheme as disclosed in this report, the Company has not issued for cash any equity securities (including securities convertible into equity securities) for the Reporting Period and no other proceeds has been brought forward from any issue of securities for cash as at September 30, 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

In the opinion of the Board, throughout the Reporting Period, 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 matters:

According to Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. ZHU Shunyan ("**Mr. Zhu**") has been appointed as both the chairman of the Board (the "**Chairman**") and the chief executive officer of the Company (the "**Chief Executive Officer**"), with effect from March 16, 2020. After joining the Group, Mr. Zhu is primarily responsible for overseeing the Group's general management and business development and for formulating business strategies and policies for our business management and operations. The Directors consider that it is the most suitable for Mr. Zhu to hold both the positions of the Chairman and the Chief Executive Officer as they believe that it will ensure consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. The Board is also of the view that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of the Chairman and the Chief Executive Officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment. The appointment of Mr. Zhu as the executive Director, Chairman and Chief Executive Officer became effective on March 16, 2020. However, he was not subject to election by the Shareholders at the adjourned special general meetings held on April 9, 2020 (which was originally scheduled to be held on March 30, 2020 and adjourned due to the prohibition of group gatherings of more than four people in public places in accordance with the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) (the "**SGMs**") due to insufficient time to arrange the logistics in relation to the re-election of Mr. Zhu at the SGMs). However, given that Mr. Zhu was subject to retirement by rotation at the then next annual general meeting of the Company held on July 30, 2020 (the "**2020 AGM**") according to the Company's bye-laws, the Board considers that the Company's bye-laws have provided adequate measures to ensure the Company has a good corporate governance practice in place. As a result, Mr. Zhu retired and offered himself for re-election and was re-elected as the executive Director at the 2020 AGM.

Code Provision C.1.2 stipulates that management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. The Company from time to time, based on business needs and conditions, provides to the Board up-to-date business information and convenes ad hoc meetings for considering material business or management issues, so as to enable the Directors and the Board as a whole to discharge their duties.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules to regulate the dealings of the Directors in the Company's securities. In response to specific enquiries made by the Company, all Directors have confirmed that they have complied with the Model Code in their securities transactions throughout the Reporting Period.

REVIEW OF INTERIM RESULTS

The Group's interim results for the Reporting Period have not been audited, but have been reviewed by the audit committee of the Company and the independent auditor of the Company, Ernst & Young.

Hong Kong
November 25, 2020

INDEPENDENT REVIEW REPORT

EY 安永

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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 41 to 82 which comprises the condensed consolidated statement of financial position of Alibaba Health Information Technology Limited (the "**Company**") and its subsidiaries (the "**Group**") as at September 30, 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and 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 ("**HKICPA**").

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 HKICPA. 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
Hong Kong

November 25, 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended September 30, 2020

	Notes	2020 Unaudited RMB'000	2019 Unaudited RMB'000
REVENUE	4	**7,162,031**	4,116,846
Cost of sales		**(5,301,715)**	(3,085,186)
Gross profit		**1,860,316**	1,031,660
Other income and gains	5	**142,811**	63,922
Operating expenses			
Fulfillment	6	**(749,449)**	(467,029)
Sales and marketing expenses		**(508,737)**	(333,252)
Administrative expenses		**(143,003)**	(105,075)
Product development expenses		**(229,449)**	(135,138)
Other expenses		**(7,567)**	(6,236)
Finance cost	7	**(1,580)**	(19,462)
Share of losses of:			
Joint ventures	8	**(5,694)**	(5,344)
Associates	9	**(33,207)**	(18,418)
PROFIT BEFORE TAX	10	**324,441**	5,628
Income tax expense	11	**(45,887)**	(13,257)
PROFIT/(LOSS) FOR THE PERIOD		**278,554**	(7,629)
Attributable to:			
Owners of the parent		**283,431**	(1,102)
Non-controlling interests		**(4,877)**	(6,527)
		278,554	(7,629)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		**RMB2.17 cents**	RMB(0.01) cents
Diluted		**RMB2.16 cents**	RMB(0.01) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended September 30, 2020

	2020 Unaudited *RMB'000*	2019 Unaudited *RMB'000*
PROFIT/(LOSS) FOR THE PERIOD	**278,554**	(7,629)
OTHER COMPREHENSIVE INCOME		
Other comprehensive (loss)/income will be reclassified to profit or loss in subsequent periods:		
Translation from functional currency to presentation currency	**(206,545)**	75,307
Other comprehensive (loss)/income will not be reclassified to profit or loss in subsequent periods:		
Equity investment designated at fair value through other comprehensive income ("**FVOCI**"):		
Changes in fair value	**(18,484)**	9,080
Income tax effect	**1,848**	(908)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(223,181)**	83,479
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**55,373**	75,850
Attributable to:		
Owners of the parent	**60,250**	82,377
Non-controlling interests	**(4,877)**	(6,527)
	55,373	75,850

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2020

	Notes	**September 30 2020, Unaudited *RMB'000***	March 31, 2020 Audited *RMB'000*
NON-CURRENT ASSETS			
Property and equipment		**12,850**	12,999
Investment property		**3,275**	10,599
Right-of-use assets		**48,431**	59,333
Goodwill		**54,576**	54,576
Other intangible assets		**3,986**	4,467
Investments in joint ventures		**105,553**	111,247
Investments in associates		**1,936,381**	1,945,789
Long-term receivables		**7,205**	21,732
Equity investment designated at FVOCI		**148,682**	173,456
Financial assets at fair value through profit or loss ("**FVPL**")		**508,698**	462,778
Total non-current assets		**2,829,637**	2,856,976
CURRENT ASSETS			
Inventories		**1,181,741**	1,217,258
Trade and bills receivables	*14*	**340,262**	324,541
Prepayments, other receivables and other assets		**538,061**	413,492
Financial assets at FVPL		**–**	402,485
Restricted cash		**18,843**	60,239
Cash and cash equivalents		**12,267,628**	2,594,981
Total current assets		**14,346,535**	5,012,996
CURRENT LIABILITIES			
Lease liabilities		**25,768**	32,030
Trade and bills payables	*15*	**1,918,229**	1,865,526
Other payables and accruals		**536,940**	513,250
Contract liabilities		**160,085**	171,280
Tax payable		**38,749**	27,817
Total current liabilities		**2,679,771**	2,609,903
NET CURRENT ASSETS		**11,666,764**	2,403,093
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,496,401**	5,260,069

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at September 30, 2020

	Notes	**September 30 2020, Unaudited** ***RMB'000***	March 31, 2020 Audited *RMB'000*
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**37,325**	19,829
Lease liabilities		**21,436**	37,725
Total non-current liabilities		**58,761**	57,554
Net assets		**14,437,640**	5,202,515
EQUITY			
Equity attributable to owners of the parent			
Share capital	*16*	**118,563**	106,108
Treasury shares	*16*	**(5,357)**	(13,039)
Reserves		**14,354,466**	5,176,076
		14,467,672	5,269,145
Non-controlling interests		**(30,032)**	(66,630)
Total equity		**14,437,640**	5,202,515

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended September 30, 2019

		Attributable to owners of the parent											
	Notes	Share capital RMB'000	Share premium account RMB'000	Treasury share RMB'000	Merger reserve RMB'000	Exchange fluctuation reserve RMB'000	Employee share-based compensation reserve RMB'000	Equity investments at fair value through other comprehensive income revaluation reserve RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At April 1, 2019		102,898	19,966,843	(25,052)	(16,397,767)	75,873	231,955	–	120,364	(1,280,595)	2,794,519	(57,693)	2,736,826
Loss for the period		–	–	–	–	–	–	–	–	(1,102)	(1,102)	(6,527)	(7,629)
Other comprehensive loss for the period:													
Change in fair value of equity investment designated at FVOCI		–	–	–	–	–	–	8,172	–	–	8,172	–	8,172
Translation from functional currency to presentation currency		–	–	–	–	75,307	–	–	–	–	75,307	–	75,307
Total comprehensive income for the period		–	–	–	–	75,307	–	8,172	–	(1,102)	82,377	(6,527)	75,850
Issue of new shares for restricted share units ("**RSU**")	16	39	–	(39)	–	–	–	–	–	–	–	–	–
Issue of new shares	16	2,667	1,997,913	–	–	–	–	–	–	–	2,000,580	–	2,000,580
Repurchase of shares	16	–	–	(12,256)	–	–	–	–	–	–	(12,256)	–	(12,256)
Share-based compensation expenses	17	–	–	–	–	–	147,156	–	–	–	147,156	–	147,156
Vested awarded shares transferred to employees	16	–	74,231	25,260	–	–	(99,491)	–	–	–	–	–	–
Exercise of share options	16	32	29,944	–	–	–	(14,646)	–	–	–	15,330	–	15,330
Deemed interest of an interest-free loan to a non-wholly owned subsidiary		–	–	–	–	–	–	–	(188)	–	(188)	188	–
Share of capital reserve of an associate		–	–	–	–	–	–	–	(6,871)	–	(6,871)	–	(6,871)
At September 30, 2019 (unaudited)		105,636	22,068,931	(12,087)	(16,397,767)	151,180	264,974	8,172	113,305	(1,281,697)	5,020,647	(64,032)	4,956,615

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended September 30, 2020

		Attributable to owners of the parent											
	Notes	Share capital RMB'000	Share premium account RMB'000	Treasury share RMB'000	Merger reserve RMB'000	Exchange fluctuation reserve RMB'000	Employee share-based compensation reserve RMB'000	Equity investments at fair value through other comprehensive income revaluation reserve RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At April 1, 2020		106,108	22,344,732*	(13,039)	(16,397,767)*	150,697*	210,730*	41,545*	123,205*	(1,297,066)*	5,269,145	(66,630)	5,202,515
Profit for the period		–	–	–	–	–	–	–	–	283,431	283,431	(4,877)	278,554
Change in fair value of equity investment designated at FVOCI, net of tax		–	–	–	–	–	–	(16,636)	–	–	(16,636)	–	(16,636)
Translation from functional currency to presentation currency		–	–	–	–	(206,545)	–	–	–	–	(206,545)	–	(206,545)
Total comprehensive income for the period		–	–	–	–	(206,545)	–	(16,636)	–	283,431	60,250	(4,877)	55,373
Issue of new shares	16	12,283	20,698,113	–	(11,791,812)	–	–	–	–	–	8,918,584	–	8,918,584
Share-based compensation expenses		–	–	–	–	–	187,685	–		–	187,685	–	187,685
Issue of new shares for restricted share units	16	62	–	(62)	–	–	–	–	–	–	–	–	–
Vested awarded shares transferred to employees	16	–	67,715	7,744	–	–	(75,459)	–	–	–	–	–	–
Exercise of share options	16	110	84,689	–	–	–	(24,821)	–	–	–	59,978	–	59,978
Deemed interest of an interest-free loan to a non-wholly owned subsidiary		–	–	–	–	–	–	–	(336)	–	(336)	336	–
Acquisition of minority interests		–	–	–	–	–	–	–	(41,249)	–	(41,249)	41,139	(110)
Deregister of a subsidiary		–	–	–	–	–	–	–	–	(62)	(62)	–	(62)
Statutory reserves		–	–	–	–	–	–	–	12,282	(12,282)	–	–	–
Share of capital reserve of an associate		–	–	–	–	–	–	–	13,677	–	13,677	–	13,677
At September 30, 2020 (unaudited)		118,563	43,195,249*	(5,357)	(28,189,579)*	(55,848)*	298,135*	24,909*	107,579*	(1,025,979)*	14,467,672	(30,032)	14,437,640

* These reserve accounts comprise the consolidated reserves of RMB14,354,466,000 (March 31, 2020: RMB5,176,076,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended September 30, 2020

	Notes	**Six months ended September 30, 2020 Unaudited *RMB'000***	2019 Unaudited *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**324,441**	5,628
Adjustments for:			
Share of losses of joint ventures	*8*	**5,694**	5,344
Share of losses of associates	*9*	**33,207**	18,418
Interest income	*5*	**(62,068)**	(16,672)
Other interest income	*5*	**(513)**	—
Gain on deemed partial disposal of associates	*5*	**(8,679)**	(17,027)
Gain on disposal of an associate	*5*	**—**	(21,791)
Finance cost	*7*	**1,580**	19,462
Dividend income from financial assets at FVPL	*5*	**(1,363)**	—
Fair value (gains)/losses on financial assets at FVPL	*10*	**(46,851)**	6,605
Deregister of a subsidiary		**(62)**	—
Depreciation of property and equipment	*10*	**1,394**	2,318
Depreciation of right-of-use assets	*10*	**11,886**	15,464
Depreciation of investment property	*10*	**3,276**	—
Amortisation of intangible assets	*10*	**978**	1,104
Reversal of impairment of trade receivables	*10*	**(63)**	(1,227)
Impairment and write-off/(Reversal of impairment) of inventories	*10*	**5,109**	(1,362)
Foreign exchange differences, net		**3,545**	(1,787)
Share-based compensation expenses	*17*	**198,514**	147,156
		470,025	161,633
(Increase)/decrease in trade and bills receivables		**(15,658)**	142,797
(Increase)/decrease in prepayments, other receivables and other assets		**(130,472)**	94,219
Decrease/(increase) in inventories		**30,408**	(367,377)
Decrease/(increase) in restricted cash		**41,396**	(969)
Decrease in long-term receivables		**14,527**	22,162
Increase in trade and bills payables		**52,703**	529,698
Increase/(decrease) in other payables and accruals		**67,634**	(132,332)
(Decrease)/increase in contract liabilities		**(11,195)**	12,090
Exchange differences		**5,406**	5,851
Cash generated from operations		**524,774**	467,772
Interest received		**55,226**	18,508
Interest element of lease payments		**(1,580)**	(1,907)
Mainland of the People's Republic of China ("**Mainland China**" or the "**PRC**") taxes paid		**(12,020)**	(8,734)
Net cash flows generated from operating activities		**566,400**	475,639

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended September 30, 2020

	Notes	Six months ended September 30, 2020 Unaudited *RMB'000*	2019 Unaudited *RMB'000*
Net cash flows generated from operating activities		**566,400**	475,639
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property and equipment		**(1,450)**	(2,873)
Purchase of items of intangible asset		**(497)**	(5,930)
Decrease of financial assets at FVPL		**403,415**	644,243
Proceeds from disposal of items of property and equipment		**205**	–
Business acquisitions	*19(B)*	**–**	(18,012)
Acquisition of an associate		**(10,000)**	–
Capital injection in an associate		**(61,004)**	–
Proceeds from disposal of an associate	*5*	**–**	53,042
Increase of time deposits with original maturity over three months		**(4,754,351)**	(211,637)
Repayment of loan		**25,000**	–
Interest received		**1,137**	–
Dividend receipt from financial assets at FVPL		**1,363**	–
Capital injection in a joint venture		**–**	(99,500)
Acquisition of minority interests		**(110)**	–
Net cash flows (used in)/generated from investing activities		**(4,396,292)**	359,333
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of new shares		**8,917,172**	2,000,580
Repurchase of shares		**–**	(12,256)
Proceeds from exercise of options		**59,978**	15,330
Repayment of bank loans and other borrowings		**–**	(700,000)
Interest paid		**–**	(19,249)
Principal portion of lease payments		**(19,757)**	(16,122)
Net cash flows generated from financing activities		**8,957,393**	1,268,283
NET INCREASE IN CASH AND CASH EQUIVALENTS		**5,127,501**	2,103,255
Cash and cash equivalents at beginning of period		**2,594,981**	280,371
Effect of foreign exchange rate changes		**(209,205)**	63,735
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD		**7,513,277**	2,447,361

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended September 30, 2020

	Six months ended September 30,	
	2020	2019
	Unaudited	Unaudited
	RMB'000	*RMB'000*
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**6,951,558**	1,400,347
Non-pledged time deposits with original maturity of three months or less when acquired	**561,719**	1,047,014
Non-pledged time deposits with original maturity over three months when acquired	**4,754,351**	211,637
CASH AND CASH EQUIVALENTS AS STATED IN THE INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	**12,267,628**	2,658,998
Non-pledged time deposits with original maturity over three months	**(4,754,351)**	(211,637)
CASH AND CASH EQUIVALENTS AS STATED IN THE INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS	**7,513,277**	2,447,361

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2020

1 GENERAL INFORMATION

Alibaba Health Information Technology Limited (the "**Company**") is incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The principal place of business of the Company is located at 17th to 19th Floors, Building B, Greenland Center, Beijing, PRC.

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") are primarily engaged in pharmaceutical direct sales business, pharmaceutical e-commerce platform business, medical and healthcare services business and tracking and digital health business.

In the opinion of the directors of the Company (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, 2020 (the "**Reporting Period**") 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, 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**" (which include all HKFRSs, HKASs and Interpretations)).

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 17). 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**"), 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 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended March 31, 2020, except for the adoption of the following revised HKFRSs for the first time for the current period's financial information.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended September 30, 2020

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

The nature and impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after April 1, 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

(c) Amendments to HKFRS 16 provide a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before June 30, 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after June 1, 2020 with earlier application permitted.

During the period ended September 30, 2020, certain monthly lease payments for the leases of the Group's offices and retail outlets have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendments on April 1, 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the period ended September 30, 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB187,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended September 30, 2020.

(d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended September 30, 2020

3 OPERATING SEGMENT INFORMATION

The Group is primarily engaged in pharmaceutical direct sales business, pharmaceutical e-commerce platform business, medical and healthcare services business and tracking and digital health business. Given that the chief operating decision maker of the Company considers that the Group's business mentioned above is operated and managed as a single segment, accordingly, no segment information is presented.

Geographical information

(a) Revenue from external customers

	Six months ended September 30,	
	2020	2019
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Mainland China	**6,911,668**	3,988,437
Hong Kong	**250,363**	128,409
	7,162,031	4,116,846

The revenue information above is based on the locations of the customers for whom services are provided, or the locations of the warehouses from which inventories are shipped.

(b) Non-current assets

	September 30, 2020	March 31, 2020
	Unaudited	Audited
	RMB'000	*RMB'000*
Mainland China	**2,010,025**	2,047,963
Hong Kong	**155,027**	151,047
	2,165,052	2,199,010

The non-current asset information above is based on the locations of the assets and excludes equity investment designated at FVOCI, financial assets at FVPL and long-term receivables.

3 OPERATING SEGMENT INFORMATION (CONTINUED)

Information about a major customer

During the periods ended September 30, 2020 and 2019, there was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group's revenue.

4 REVENUE

The Group is primarily engaged in pharmaceutical direct sales business, pharmaceutical e-commerce platform business, medical and healthcare services business and tracking and digital health business.

An analysis of revenue is as follows:

	Six months ended September 30,	
	2020	2019
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Pharmaceutical direct sales business	**6,036,024**	3,435,166
Pharmaceutical e-commerce platform business	**925,383**	539,991
Medical and healthcare services business*	**175,929**	122,736
Tracking and digital health business	**24,695**	18,953
Total	**7,162,031**	4,116,846

Note

* Consumer healthcare business, Internet healthcare business and other business (other than pharmaceutical direct sales business, pharmaceutical e-commerce platform business and tracking and digital health business) have been redefined as medical and healthcare services business to better reflect our business classification, and the details of revenue for the six months ended September 30, 2019 have been adjusted accordingly.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended September 30, 2020

4 REVENUE (CONTINUED)

Revenue from contracts with customers

Disaggregated revenue information

	Six months ended September 30,	
	2020	2019
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Type of goods or services:		
Sales of products	**5,709,524**	3,271,829
Provision of services	**1,452,507**	845,017
Total revenue from contracts with customers	**7,162,031**	4,116,846
Timing of revenue recognition:		
At a point in time	**6,774,746**	3,911,563
Over time	**387,285**	205,283
Total revenue from contracts with customers	**7,162,031**	4,116,846

5 OTHER INCOME AND GAINS

	Six months ended September 30,	
	2020	2019
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Other Income		
Bank interest income	**62,068**	16,672
Government grants	**14,570**	1,975
Rental income from investment property operating leases	**3,997**	4,237
Management fee income from a joint venture	**4,545**	—
Dividend income from financial asset at FVPL	**1,363**	—
Foreign exchange difference, net	**—**	1,783
Other interest income	**513**	—
Others	**225**	437
	87,281	25,104
Gains		
Gain on deemed partial disposal of associates	**8,679**	17,027
Gain on disposal of an associate#	**—**	21,791
Fair value gains on financial assets at FVPL	**46,851**	—
	55,530	38,818

On March 29, 2019, Hongyun Jiukang Data Technology (Beijing) Company Limited^ (弘雲久康數據技術(北京)有限公司) ("**Hongyun Jiukang**"), a subsidiary of the Company, entered into an equity transfer agreement with a wholly-owned subsidiary of Jiahe Meikang (Beijing) Technology Co., Ltd.^ (嘉和美康(北京)科技股份有限公司) ("**Jiahe Meikang**"), an associate of Hongyun Jiukang, pursuant to which 45% equity interests of Beijing Jiamei Online Technology Co., Ltd.^ (北京嘉美在線科技有限公司) ("**Jiamei Online**") held by Hongyun Jiukang were transferred to a wholly-owned subsidiary of Jiahe Meikang, for a total cash consideration of approximately RMB53,042,000.

The transaction was completed and the cash consideration of RMB53,042,000 was fully received during the six months ended September 30, 2019.

6 FULFILLMENT

Fulfillment primarily consists of those costs incurred in warehousing, logistics, operation and customer services, which are associated with the Group's online direct sales business.

7 FINANCE COST

Finance cost is interest on lease liabilities and interest-bearing borrowings of the Group.

8 SHARE OF LOSSES OF JOINT VENTURES

The Group recorded share of losses from existing joint ventures for the six months ended June 30, 2020 and 2019.

9 SHARE OF LOSSES OF ASSOCIATES

The Group recorded share of losses from existing associates for the six months ended June 30, 2020 and 2019, except for Dongfang Customs, from which the Group recorded share of profits for the six months ended September 30, 2020 and 2019.

10 PROFIT BEFORE TAX

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

	Six months ended September 30,	
	2020	2019
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Cost of goods sold*	**4,516,205**	2,646,318
Cost of services provided* (excluding employee benefit expense and share-based compensation expenses)	**772,434**	427,547
Depreciation of property and equipment	**1,394**	2,318
Depreciation of right-of-use assets	**11,886**	15,464
Depreciation of investment property	**3,276**	—
Amortisation of intangible assets	**978**	1,104
Fair value (gains)/losses on financial assets at FVPL#	**(46,851)**	6,605
Impairment/(reversal of impairment) of inventories*	**1,364**	(1,362)
Reversal of impairment of trade receivables#	**(63)**	(1,227)
Write-off of inventories#	**3,745**	—
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**235,599**	196,821
Pension scheme contributions	**6,211**	12,643
Share-based compensation expenses *(note 17)*	**198,514**	147,156
	440,324	356,620
Foreign exchange differences, net	**3,545**	(1,783)

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

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

11 INCOME TAX EXPENSE

	Six months ended September 30,	
	2020	2019
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Current-Hong Kong		
Charge for the period	**4,625**	—
Current-Mainland China		
Charge for the period	**23,613**	21,181
Overprovision in prior years	**(1,695)**	(12,122)
Deferred	**19,344**	4,198
Total tax charge for the period	**45,887**	13,257

Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended September 30, 2019: 16.5%) on the estimated assessable profits arising in Hong Kong. During the period, provision of RMB4,625,000 for Hong Kong profits tax has been made for assessable profits arising in Hong Kong (for the six months ended September 30, 2019: Nil).

In general, the PRC subsidiaries of the Company are subject to the PRC corporate income tax rate of 25% except for one PRC subsidiary which is entitled to a preferential tax rate of 15%, and one PRC subsidiary which is entitled to the preferential tax treatment of the income tax exemptions policy during the year of 2018 and 2019, and is entitled to a preferential tax rate of 15% since 2020. An income tax reversal of RMB9,500,000 was recorded by one PRC subsidiary for the period ended September 30, 2019 after the approval of the preferential tax treatment for prior year taxable income was obtained.

Deferred income tax represents withholding tax on the distributable profits of the Group's associates and tax impact of temporary difference arising from the Group's operation.

12 DIVIDENDS

The board of Directors (the "**Board**") has resolved that no interim dividend be declared for the six months ended September 30, 2020 (for the six months ended September 30, 2019: Nil).

13 EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the period attributable to owners of the parent of RMB283,431,000 (for the six months ended September 30, 2019: RMB(1,102,000)), and the weighted average number of ordinary shares of approximately 13,038,227,696 in issue during the period (for the six months ended September 30, 2019: 11,835,917,067).

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to owners of the parent of RMB283,431,000. The weighted average number of ordinary shares used in such calculation is the number of ordinary shares of 13,038,227,696 in issue during the period (same as those used in the basic earnings/(loss) per share calculation), and the weighted average number of 83,063,768 ordinary shares assumed to have been issued at no consideration on the deemed exercise or vest of all dilutive potential ordinary shares into ordinary shares.

14 TRADE AND BILLS RECEIVABLES

	September 30, 2020 Unaudited ***RMB'000***	March 31, 2020 Audited *RMB'000*
Trade receivables	**356,399**	319,278
Bills receivable	**10,708**	32,171
	367,107	351,449
Impairment	**(26,845)**	(26,908)
	340,262	324,541

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

Included in the Group's trade and bills receivables as at September 30, 2020 are amounts due from subsidiaries of Alibaba Group of approximately RMB87,361,000 (March 31, 2020: RMB80,178,000) and the Group's associates of approximately RMB1,832,000 (March 31, 2020: RMB24,394,000), which are repayable on credit terms similar to those offered to major customers of the Group.

14 TRADE AND BILLS RECEIVABLES (CONTINUED)

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, 2020 Unaudited *RMB'000*	March 31, 2020 Audited *RMB'000*
Within 3 months	**228,084**	266,972
3 to 12 months	**97,822**	25,398
Over 12 months	**3,648**	—
	329,554	292,370

15 TRADE AND BILLS PAYABLES

An aging analysis of the trade and bills payables as at the end of the Reporting Period, based on the invoice date or issue date, is as follows:

	September 30, 2020 Unaudited *RMB'000*	March 31, 2020 Audited *RMB'000*
Within 3 months	**1,351,018**	973,060
3 to 12 months	**368,243**	683,915
Over 12 months	**198,968**	208,551
	1,918,229	1,865,526

Included in the Group's trade payables as at September 30, 2020 are amounts due to subsidiaries of Alibaba Group of approximately RMB864,876,000 (March 31, 2020: RMB950,468,000), which are repayable on credit terms similar to those offered by the related companies to their major customers.

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

16 SHARE CAPITAL

Shares

	September 30, 2020 Unaudited *RMB'000*	March 31, 2020 Audited *RMB'000*
Issued and fully paid		
13,452,625,292 (March 31, 2020: 12,074,135,224) ordinary shares of HK$0.01 each	**118,563**	106,108

	Number of shares in issue (unaudited)	Share capital (unaudited) *RMB'000*	Treasury shares (unaudited) *RMB'000*
Ordinary shares of HK$0.01 each			
At April 1, 2019	11,710,892,714	102,898	(25,052)
Exercise of share options *(note a)*	3,592,250	32	—
Repurchase of shares *(note b)*	—	—	(12,256)
Vested awarded shares transferred to employees *(note c)*	—	—	25,260
Issue of shares *(note d)*	302,976,000	2,667	—
Issue of shares for RSU *(note e)*	4,296,369	39	(39)
At September 30, 2019	12,021,757,333	105,636	(12,087)
At April 1, 2020	**12,074,135,224**	**106,108**	**(13,039)**
Exercise of share options *(note a)*	**12,062,750**	**110**	**—**
Vested awarded shares transferred to employees *(note c)*	**—**	**—**	**7,744**
Issue of shares *(note f)*	**1,359,627,318**	**12,283**	**—**
Issue of shares for RSU *(note e)*	**6,800,000**	**62**	**(62)**
At September 30, 2020	**13,452,625,292**	**118,563**	**(5,357)**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended September 30, 2020

16 SHARE CAPITAL (CONTINUED)

Shares (continued)

Note a: The number of options exercised during the six months ended September 30, 2020 is 12,062,750 (for the six months ended September 30, 2019: 3,592,250).

Note b: During the six months ended September 30, 2019, a total of 1,903,200 ordinary shares were repurchased from the market at a total consideration of HK$13,700,563 (approximately RMB12,256,000) for restricted share units to be vested on July 31, 2019, September 15, 2019 and in future period.

Note c: The number of treasury shares transferred to owners of vested restricted share units during the six months ended September 30, 2020 is 12,311,319 (for the six months ended September 30, 2019: 30,659,645).

Note d: On July 12, 2019, 302,976,000 shares were issued to Ali JK Nutritional Products Holding Limited ("**Ali JK**") and Antfin (Hong Kong) Holding Limited ("**Antfin**") at a total cash consideration of HK$2,272,320,000 (approximately RMB1,998,171,000) and a subscription price of HK$7.5 per share. Ali JK and Antfin are connected persons of the Company. The transactions constituted connected transactions of the Company in accordance with the Listing Rules. For details of the transactions, please refer to announcement of the Company dated May 23, 2019.

Note e: The number of shares of HK$0.01 each were issued for restricted share units to be vested in future period during the six months ended September 30, 2020 is 6,800,000 (for the six months ended September 30, 2019: 4,296,369).

Note f: On April 9, 2020, 860,874,200 shares were issued to Ali JK at a subscription price of HK$9.38 per share for a total cash consideration of HK$8,075,000,000 (approximately RMB7,280,678,000). This constituted connected transaction of the Company in accordance with the Listing Rules. For details of the transaction, please refer to the announcement of the Company dated February 7, 2020.

On August 5, 2020, the Company entered into a placing agreement with the placing agents in relation to the placing of an aggregate of 498,753,118 new shares at the placing price of HK$20.05 per placing share. On August 12, 2020, a total of 498,753,118 new shares have been successfully placed, the gross proceeds were HK$10,000,000,000 and the net proceeds were HK$9,964,200,000 (approximately RMB8,917,172,000). For details of the placing, please refer to announcements of the Company dated August 5, 2020 and August 12, 2020.

17 SHARE-BASED COMPENSATION EXPENSES

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 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 (CONTINUED)

For the six months ended September 30, 2020

17 SHARE-BASED COMPENSATION EXPENSES (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	Number of options	Number of RSUs
	Unaudited	Unaudited	Unaudited
	HK$ per share	*'000*	*'000*
Outstanding at April 1, 2019	5.00	63,072	110,648
Granted during the period	—	—	40,178
Forfeited during the period	4.50	(4,371)	(11,550)
Exercised or transferred during the period	4.84	(3,592)	(30,660)
Outstanding at September 30, 2019	5.05	55,109	108,616
Average fair value per option/RSU at September 30, 2019		RMB2.07	RMB5.15
Outstanding at April 1, 2020	**4.84**	**28,679**	**85,761**
Granted during the period	**19.92**	**6,698**	**20,172**
Forfeited during the period	**3.66**	**(306)**	**(10,184)**
Exercised or transferred during the period	**5.45**	**(12,063)**	**(12,310)**
Outstanding at September 30, 2020	**8.92**	**23,008**	**83,439**
Average fair value per option/RSU at September 30, 2020		**RMB4.28**	**RMB9.23**

17 SHARE-BASED COMPENSATION EXPENSES (CONTINUED)

Share award scheme (continued)

For options outstanding at the end of the Reporting Period, the exercise prices range from HK$3.610 to HK$19.940. The exercise period of the options is from the vesting date to 10 years from the grant date. 23,008,000 share options of the Group were outstanding as at September 30, 2020 with the weighted average remaining contractual life of 7.45 years (for the six months ended September 30, 2019: 7.26 years).

As at September 30, 2020, the remaining vesting periods for the options and RSUs granted range from 3 months to 48 months.

There were no options granted during the six months ended September 30, 2019. The fair value of options granted during the six months ended September 30, 2020 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, 2020 (Unaudited)
Fair value of the Company's shares at the grant date	HK$9.34~HK$11.13
Expected volatility (%)	65
Expected dividend (%)	0.00
Exercise multiple	1.5~2.6
Exercise price	HK$18.66~HK$19.94
Risk-free interest rate (%)	0.5
Expected forfeiture rate (%)	14~20

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, 2020 and September 30, 2019 were determined based on the market value of the Company's shares at the respective grant dates.

17 SHARE-BASED COMPENSATION EXPENSES (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,	
	2020	2019
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Cost of revenue	**6,077**	5,050
Sales and marketing expenses	**68,092**	53,134
Administrative expenses	**48,094**	42,128
Product development expenses	**62,786**	40,950
Fulfillment	**13,465**	5,894
	198,514	147,156

At the end of the Reporting Period, the Company had approximately 23,008,000 options and 83,439,000 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 99,104,000 additional ordinary shares of the Company and additional share capital of HK$991,040 (equivalent to approximately RMB895,041) (before issue expenses), the purchase of approximately 3,480,000 existing shares from the market and release of approximately 3,863,000 treasury shares. The purchase of 3,480,000 existing shares was for RSUs to be vested by connected persons of the Group.

18 COMMITMENTS

The Group had the following capital commitments at the end of the Reporting Period.

	September 30, 2020	March 31, 2020
	Unaudited	Audited
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Capital injection of investments	**402,300**	167,500

19 BUSINESS COMBINATIONS UNDER COMMON CONTROL

(A) Business combinations under common control

On April 9, 2020, the Group acquired 100% equity interest in Ali JK ZNS Limited and its subsidiaries, Ali JK ZNS (HK) Limited, and Hangzhou Defu Health Management Co., Ltd.^ (杭州得賦健康管理有限公司), (collectively referred to as the "**Ali JK ZNS Group**") from Ali JK Nutritional Products Holding Limited, the ("**Vendor**"), a direct-wholly-owned subsidiary of Alibaba Holding. As the Company and Ali JK ZNS 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$8,075.0 million was satisfied by the Company issuing 860,874,200 shares on April 9, 2020 to the Vendor. The fair value of these consideration shares was HK$12,982.0 million (approximately RMB11,793.2 million) based on the market price of HK$15.08 per ordinary share as at April 9, 2020. The difference of RMB11,791.8 million between the fair value of consideration shares issued of approximately RMB11,793.2 million and the carrying amount of approximately RMB1.4 million of the net asset of Ali JK ZNS Group at the acquisition date is recognised in merger reserve. Ali JK Medical Products Group was established by the Vendor to hold the business which comprises: (i) all merchant relationships with the target merchants for the sale of target products and services on Tmall.com and (ii) certain relevant marketing and operations personnel managing the relationships with the target merchants. The business earns commissions from merchants when sales of target products on Tmall.com were completed.

Since the acquisition, Ali JK ZNS Group contributed RMB87,193,000 to the Group's revenue and profit of RMB52,316,000 to the consolidated profit for the six months ended September 30, 2020.

(B) Business combinations not under common control

Acquisition of Hangzhou Yixintang

In May 2019, Ali JK Medical Products (HK) Limited ("**Ali JK Medical**"), a subsidiary of the Group, entered into an equity transfer agreement with Yixintang Pharmaceutical Chain Co., Ltd.^ (易心堂大藥房連鎖股份有限公司) ("**Yixintang**"), pursuant to which, Ali JK Medical acquired 100% equity interest of Hangzhou Yinxintang Pharmaceutical Chain Co., Ltd.^ (杭州易心堂大藥房連鎖有限公司) ("**Hangzhou Yixintang**"), which was a subsidiary of Yixintang, at a cash consideration of RMB15,785,000. As at September 30, 2019, a consideration of RMB12,585,000 was paid to Yixintang, and the remaining RMB3,200,000 will be paid after certain conditions are fulfilled.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended September 30, 2020

19 BUSINESS COMBINATIONS UNDER COMMON CONTROL (CONTINUED)

(B) Business combinations not under common control (continued)

Acquisition of Hangzhou Yixintang (continued)

The fair values of the identifiable assets and liabilities of Hangzhou Yixintang as at the date of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000*
Property and equipment	2,458
Prepayments, deposits and other receivables	1,453
Inventory	1,088
Trade receivables	3
Cash and cash at banks	5
Other payables	(492)
Trade payables	(2,300)
Total identifiable net assets at fair value	2,215
Goodwill on acquisition	13,570
	15,785
Satisfied by:	
Cash	12,585
Other payables	3,200
Total purchase consideration	15,785

19 BUSINESS COMBINATIONS UNDER COMMON CONTROL (CONTINUED)

(B) Business combinations not under common control (continued)

Acquisition of Hangzhou Yixintang (continued)

An analysis of the cash flows in respect of the acquisition of Hangzhou Yixintang is as follows:

	RMB'000
Cash consideration paid	(12,585)
Cash and bank balances acquired	5
Net outflow of cash and cash equivalents included in cash flows from investing activities	(12,580)

Since the acquisition, Hangzhou Yixintang contributed RMB2,609,000 to the Group's revenue and loss of RMB1,446,000 to the consolidated loss for the six months ended September 30, 2019.

Had the combination taken place at the beginning of prior period, the revenue from continuing operations of the Group and the loss of the Group for the six months ended September 30, 2019 would have been RMB4,134,463,000 and RMB1,298,000, respectively.

Acquisition of seven pharmacies

On April 16, 2019, the Group acquired seven pharmacies from a third party. The purchase consideration was approximately RMB14,000,000. There was no identifiable net assets of seven pharmacies as at the date of acquisition, and the goodwill on acquisition was RMB14,000,000. Part of the consideration of RMB5,432,000 was paid and the remaining consideration of RMB8,568,000 was recorded in other payables and accruals as of March 31, 2020.

Since the acquisition, seven pharmacies contributed RMB2,282,000 to the Group's revenue and loss of RMB185,000 to the Group's loss for the six months ended September 30, 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended September 30, 2020

20 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 transactions:

	Notes	**2020 Unaudited *RMB'000***	2019 Unaudited *RMB'000*
Services and products received from related parties:			
Share-based compensation expenses attributable to connected persons	*(i)*	**17,294**	17,582
Cloud computing services received from Alibaba Cloud	*(ii)*	**2,003**	3,342
Internet information and other related services received from relevant entities of Alibaba Group	*(iii)*	**144,311**	91,997
Shared services received from Alibaba Group	*(iv)*	**120,280**	47,454
Marketing services received from Alibaba Group	*(v)*	**135,405**	77,295
Logistics and warehouse services received from a subsidiary of Alibaba Holding	*(vi)*	**102,439**	45,282
Payment services received from Alipay	*(vii)*	**30,992**	17,463
Technical services received from Tmall Entities@ regarding Blue Cap Health Food	*(viii)*	**34,613**	27,200
Technical services received from Tmall Entities regarding medical devices, healthcare products, adult products, and medical and healthcare services	*(viii)*	**372,571**	229,234
Technical services received from Taobao Holding regarding Tmall Products and Services and Tmall Global Products and Services*	*(viii)*	**76,899**	—
Products received from Alibaba Group	*(ix)*	**7,531**	1,442
Business sourcing and promotion services from Koubei	*(x)*	**11,047**	—

@ 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)

* Tmall Products and Services are comprised of pharmaceutical products, medical purpose food products, medical devices, adult products, healthcare products, medical and healthcare services and the target Blue Cap Health Food sold through Tmall Supermarket only.

Tmall Global Products and Services are comprised of pharmaceutical products, medical devices, healthcare products, medical purpose food products, medical and healthcare services.

20 RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties: (continued)

	Notes	2020 Unaudited RMB'000	2019 Unaudited RMB'000
Services and products provided to related parties:			
Incentive fee received from a subsidiary of Alibaba Holding	*(v)*	**103**	640
Outsourced and value-added services provided to Taobao Group	*(xi)*	**47,070**	44,430
Tracking related services provided to a subsidiary of Alibaba Holding	*(xii)*	**870**	1,419
Products provided to Alibaba Group	*(ix)*	**484**	—
Products provided to associates of the Group	*(xiii)*	**4,871**	7,621
Rent received from a subsidiary of Alibaba Holding	*(xiv)*	**3,997**	3,930
Service fees of software services received from Taobao Group	*(xv)*	**13,463**	—
Others:			
Disposal of an equity investment to an associate	*(xvi)*	**—**	53,042
Subscription agreement with Ali JK/Antfin	*(note 16(f)/(d))*	**7,280,678**	1,998,171

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended September 30, 2020

20 RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties: (continued)

(i) On June 14, 2019, the Company granted 500,000 RSUs to Mr. SHEN Difan, the then chief executive officer and executive Director (resigned on March 16, 2020), and hence a connected person of the Company under the Share Award Scheme. On the same day, the Company granted 449,000 RSUs to Mr. WANG Qiang, the then executive Director (resigned on October 23, 2020), and hence a connected person of the Company, and 487,000 RSUs to other connected persons (other than the Directors), under the Share Award Scheme. Further details of the transaction were set out in the announcement of the Company dated June 14, 2019.

On June 15, 2020, the Company granted 2,900,000 options and 500,000 RSUs to Mr. ZHU Shunyan, an executive Director, the current chairman of the Board and chief executive officer of the Company, and hence a connected person of the Company under the Share Award Scheme. On the same day, the Company granted 292,500 options and 117,000 RSUs to Mr. WANG Qiang, the then executive Director (resigned on October 23, 2020), and hence a connected person of the Company, and 290,000 options and 116,000 RSUs to other connected persons (other than the Directors), under the Share Award Scheme. Further details of the transaction were set out in the announcement of the Company dated June 15, 2020.

On September 15, 2020, the Company granted 119,000 options and 47,600 RSUs to one other connected person (other than the Directors), under the Share Award Scheme. Further details of the transaction were set out in the announcement of the Company dated September 15, 2020.

(ii) On March 27, 2020, Alibaba Health Technology (China) Co., Ltd.^ (阿里健康科技(中國)有限公司) (formerly known as Alibaba Health Technology (Beijing) Co., Ltd.^ (阿里健康科技(北京)有限公司)) ("**Alibaba Health China**"), an indirect-wholly-owned subsidiary of the Company, and Alibaba Cloud Computing Ltd.^ (阿里雲計算有限公司) ("**Alibaba Cloud**"), a consolidated entity of Alibaba Holding, renewed the 2020 Cloud Computing Services Agreement by entering into the 2021 Cloud Computing Services Agreement for a term of one year from April 1, 2020 to March 31, 2021, pursuant to which Alibaba Cloud shall provide certain cloud computing services to the Group.

(iii) On February 7, 2020, Alibaba Holding and the Company renewed the 2020 Platform Services Framework Agreement by entering into the 2021 Platform Services Framework Agreement, pursuant to which the AGH relevant entities# shall provide to the Group Internet information related software technical services and other related services for a term of one year commencing on April 1, 2020 to March 31, 2021. For the period ended September 30, 2020, a service fee of RMB147,985,000 (for the six months ended September 30, 2019: RMB104,354,000) was charged to the Group. A net service fee of RMB144,311,000 (for the six months ended September 30, 2019: RMB91,997,000) was recorded in the consolidated statement of profit or loss.

\# AGH relevant entities refers to Alibaba Holding and its subsidiaries, including 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), Alibaba (China) Software Co., Ltd.^ (阿里巴巴(中國)軟件有限公司), Zhejiang Taobao Network Co., Ltd.^ (浙江淘寶網絡有限公司), Taobao (China) Software Co., Ltd.^ (淘寶(中國)軟件有限公司), Ecart Services Malaysia Sdn. Bhd., Lazada Singapore Pte. Ltd., Lazada Ltd., Lazada E-Services Philippines, Inc., PT. Ecart Webportal Indonesia, Recess Company Limited, Kobron Hong Kong Development Limited, Taobao China Holding Limited ("**Taobao China**"), Alibaba.com Singapore E-Commerce Private Limited ("**Alibaba Singapore**"), Zhejiang Alibaba Communication Technology Co., Ltd.^ (浙江阿里巴巴通信技術有限公司), DingTalk Technology Co., Ltd.^ (釘釘科技有限公司), DingTalk (China) Information Technology Co., Ltd.^ (釘釘(中國)信息技術有限公司), Tmall Technology and Tmall Network, collectively.

20 RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties: (continued)

(iv) On March 27, 2020, the Company renewed the 2020 Shared Services Agreement by entering into the 2021 Shared Services 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 from April 1, 2020 to March 31, 2021.

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.

(v) On February 7, 2020, Alibaba Holding and the Company renewed the 2020 Advertising Services Framework Agreement by entering into the 2021 Advertising Services Framework Agreement for a term of one year from April 1, 2020 to March 31, 2021, pursuant to which Alibaba Group shall provide to the Group certain advertising services.

On March 27, 2020, Hangzhou Alimama Software Services Co., Ltd.^ (杭州阿里媽媽軟件服務有限公司) ("**Alimama**"), an indirect-wholly-owned subsidiary of Alibaba Holding, Shanghai Quan Tudou Cultural Communications Company Limited^ (上海全土豆文化傳播有限公司) ("**Youku**"), a subsidiary of Alibaba Holding, and Alibaba Health (Hong Kong) Technology Company Limited ("**Alibaba Health HK**"), an indirect-wholly-owned subsidiary of the Company, renewed the 2020 Agency Agreement by entering into the 2021 Agency Agreement for a term of one year from April 1, 2020 to March 31, 2021. As the marketing agent, the Group shall be entitled to receive certain incentive fees.

(vi) On February 7, 2020, Hangzhou Cainiao Supply Chain Management Co., Ltd.^ (杭州菜鳥供應鏈管理有限公司) ("**Hangzhou Cainiao**"), an indirect non-wholly-owned subsidiary of Alibaba Holding, and Alibaba Health HK, renewed the 2020 Logistics Services Framework Agreement by entering into the 2021 Logistics Services Framework Agreement, pursuant to which Cainiao Group# shall provide bonded warehouse services, customs clearance services and distribution services to the Group. The term of the 2021 Logistics Services Framework Agreement commenced on April 1, 2020 and will end on March 31, 2021.

Cainiao Group refers to Hangzhou Cainiao and its subsidiaries and affiliates.

(vii) On March 27, 2020, the Company (for itself and on behalf of its subsidiaries) renewed the 2020 Payment Services Framework Agreement by entering into the 2021 Payment Services 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**"), pursuant to which Alipay shall provide payment services and the Group shall pay service fees for a term of one year, which runs from April 1, 2020 to March 31, 2021.

(viii) On March 27, 2020, Alibaba Health Technology (Hangzhou) Co., Ltd.^ (阿里健康科技 (杭州) 有限公司) (formerly known as Hangzhou Hengping Information Technology Co., Ltd.^ (杭州衡平信息科技有限公司)), an indirect-wholly-owned subsidiary of the Company, renewed the Framework Technical Services Agreement by entering into the 2021–2023 Framework Technical Services Agreement with the Tmall Entities for a term of three years from April 1, 2020 to March 31, 2023, pursuant to which the Tmall Entities shall continue to provide technical support, internet information services and secondary domain names and other services to merchants on Tmall.com, who provide Blue Cap Health Food products to customers ("**Target Business I**"). The Tmall Entities shall charge service fees of 50% of total software service fees received by the Target Business I from the relevant merchants on Tmall.com.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended September 30, 2020

20 RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties: (continued)

(viii) (Continued)

On May 28, 2018, Hangzhou Lu Kang Health Technology Co., Ltd.^ (杭州鹿康健康科技有限公司) (formerly known as Hangzhou Hengping Health Technology Co., Ltd.^ (杭州衡憑健康科技有限公司)), an indirect-wholly-owned subsidiary of the Company, entered into a second Framework Technical Services Agreement with the Tmall Entities, pursuant to which the Tmall Entities shall continue to provide software technical services, internet information services and secondary domain names and other services for the operation on Tmall.com in relation to certain categories of products and services (as specified in the announcement of the Company dated May 29, 2018) ("**Target Business II**"). The Tmall Entities shall charge service fees of 50% of total software service fees received by the Target Business II from the relevant merchants on Tmall.com. The term of this Framework Technical Services Agreement commenced on the day following the completion of the Target Business II acquisition under common control as described in note 34 of the Company's financial statements for the year ended March 31, 2020 and will end on March 31, 2021.

On February 6, 2020, the Company entered into a third Framework Technical Services Agreement with Taobao Holding Limited ("**Taobao Holding**"), a wholly-owned subsidiary of Alibaba Holding, pursuant to which Taobao Holding shall procure its subsidiaries, including the Tmall Entities and Taobao China, to continue to provide infrastructure technical support for the operation of Tmall.com and Tmall Global (the "**Tmall Platforms**"), including software technical support, internet information services and secondary domain names and other services in respect of certain categories of products and services sold on the Tmall Platforms (as specified in the announcement of the Company dated February 7, 2020) ("**Target Business III**"). The Taobao Holding and its subsidiaries shall charge service fees of 40% of software service fees received by the Company from the target merchants for transactions of pharmaceutical products sales and 50% of the software service fees received by the Company from the target merchants for transactions selling the target products and services other than pharmaceutical products. The term of this Framework Technical Services Agreement commenced on the day following the completion of the Target Business III acquisition under common control as described in note 19 and will end on March 31, 2023.

(ix) On March 27, 2020, the Company renewed the 2020 Supply and Purchase Framework Agreement by entering into the 2021 Supply and Purchase Framework Agreement with Alibaba Singapore, a company incorporated in Singapore and an indirect-wholly-owned subsidiary of Alibaba Holding for a term of one year, which runs from April 1, 2020 to March 31, 2021, pursuant to which the Company shall procure the Group to supply and/or purchase various products to or from Alibaba Group on the platforms or stores operated by Alibaba Group. The Group will also provide other related services including daily maintenance, inventory control, pricing, promotional activities and packaging in accordance with the standard agreements and terms as agreed by the parties from time to time.

(x) On January 3, 2020, Alibaba Health China entered into the Koubei Services Framework Agreement with Koubei (Shanghai) Information Technology Co., Ltd.^ (口碑（上海）信息技術有限公司) ("**Koubei**"), a consolidated entity of Alibaba Holding, pursuant to which Koubei shall, via the Group, provide business sourcing and promotion services (including system software services and other payable services) to merchants under certain product categories referred by the Group (as specified in the announcement of the Company dated January 3, 2020), and in return the Group shall pay the relevant service fees to Koubei. The Koubei Services Framework Agreement has a term commencing from January 3, 2020 and ending on March 31, 2021.

20 RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties: (continued)

(xi) On March 27, 2020, Taobao Holding and Alibaba Health Information Technology (Beijing) Co., Ltd.^ (阿里健康信息技術 (北京) 有限公司), an indirect-wholly-owned subsidiary of the Company, renewed the 2020 Outsourced Services Agreement by entering into the 2021 Outsourced Services Framework Agreement for a term of one year, which runs from April 1, 2020 to March 31, 2021, 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 to Taobao Group#. For the period ended September 30, 2020, a service income of RMB50,744,000 (for the six months ended September 30, 2019: RMB56,787,000) was charged by the Group to Taobao Group. Taobao Group shall pay the Group a service fee amounting to 21.5% of the fees paid by the merchants to Taobao Group in respect of the value of the completed sales of products or services under certain categories on the Tmall Platforms and Tmall Supermarket (as specified in the announcement of the Company dated March 27, 2020). A net service income of RMB47,070,000 (for the six months ended September 30, 2019: RMB44,430,000) was recorded in the consolidated statement of profit or loss.

\# Taobao Group refers to Taobao Holding and its subsidiaries and affiliates.

(xii) On March 27, 2020, Alibaba Health HK renewed the 2020 Tracking Services Agreement by entering into the 2021 Tracking Services Framework Agreement with Taobao China, an indirect-wholly-owned subsidiary of Alibaba Holding, pursuant to which the Group shall provide development, maintenance and operation service of tracking information system to Taobao China and its subsidiaries for a term from April 1, 2020 to March 31, 2021.

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

(xiv) On April 15, 2019, Alibaba Health China and Taobao (China) Software Co., Ltd.^ (淘寶 (中國) 軟件有限公司) ("**Taobao China Software**"), an indirect-wholly-owned subsidiary of Alibaba Holding entered into the Lease Agreement, pursuant to which Alibaba Health China agreed to sublet the premises to Taobao China Software for a term commencing from April 15, 2019 to March 31, 2021 at a monthly rent of approximately RMB776,000 (inclusive of tax).

(xv) On May 5, 2020, the Company entered into the Software Services Framework Agreement with Taobao Holding, pursuant to which the Group shall, via Taobao Group, provide the merchants under certain categories of products and services (as specified in the announcement of the Company dated May 5, 2020) with software services on the Tmall Platforms, and in return Taobao Group shall pay the relevant service fees to the Group. The Software Services Framework Agreement has a term commencing from May 5, 2020 and ending on March 31, 2021.

(xvi) On March 29, 2019, Hongyun Jiukang, a subsidiary of the Company, entered into an equity transfer agreement with a wholly-owned subsidiary of Jiahe Meikang, which is an associate of Hongyun Jiukang, pursuant to which 45% equity interests of Jiamei Online held by Hongyun Jiukang would be transferred to the wholly-owned subsidiary of Jiahe Meikang, for a total cash consideration of approximately RMB53,042,000. The transaction was completed on August 16, 2019.

The related party transactions in respect of items from (i) to (xii), (xiv) to (xvi) above also constitute continuing connected transactions or connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended September 30, 2020

20 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, 2020 and March 31, 2020 are listed below:

	September 30, 2020	March 31, 2020
	Unaudited	Audited
	RMB'000	*RMB'000*
(1) Amounts due from related parties:		
Subsidiaries of Alibaba Holdings	**71,359**	132,215
(2) Amounts due to related parties:		
Subsidiaries of Alibaba Holdings	**3,553**	2,462
Associates	**—**	61,004
	3,553	63,466

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

	Six months ended September 30,	
	2020	2019
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Short term employee benefits	**8,282**	4,908
Share-based compensation expenses	**16,790**	23,676
Pension scheme contributions	**148**	194
Performance related bonuses	**4,697**	2,407
Total compensation paid to key management personnel	**29,917**	31,185

21 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, 2020 (Unaudited) ***RMB'000***	As at March 31, 2020 (Audited) *RMB'000*	**As at September 30, 2020 (Unaudited)** ***RMB'000***	As at March 31, 2020 (Audited) *RMB'000*
Financial assets				
Financial assets at FVPL	**508,698**	865,263	**508,698**	865,263
Equity investment designated at FVOCI	**148,682**	173,456	**148,682**	173,456
Long-term receivables	**7,205**	21,732	**7,205**	21,732
Bills receivable	**10,708**	32,171	**10,708**	32,171
	675,293	1,092,622	**675,293**	1,092,622

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, current portion of lease liabilities and financial liabilities included in other payables and accruals, 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 long-term receivables, bills receivable and non-current portion of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing loans as at September 30, 2020 was assessed to be insignificant.

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

The fair values of unlisted equity investments designated at FVOCI or fair values of unlisted equity investments designated at FVPL have been estimated using a guideline company method and the key assumptions applied in the calculation are the comparable companies, relevant multiples and discount for lack of marketability ("**DLOM**"). Comparable companies are actively traded in stock market and the multiples are publicly available. Also, to adjust the fair value difference between a publicly traded company and a private company, an independent valuer has applied option price model to estimate the DLOM. The fair value of put option measured at FVPL was estimated as at the date of grant and each financial reporting period end, using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The Directors believe that the estimated fair values resulting from the valuation techniques, which are recorded in the interim condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income and fair value gain or loss, are reasonable, and that they were the most appropriate values as at the end of the Reporting Period.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

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, 2020

	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*
Equity investment designated at FVOCI	–	–	148,682	148,682
Financial assets at FVPL	–	–	508,698	508,698
Bills receivable	–	10,708	–	10,708
	–	10,708	657,380	668,088

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

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at March 31, 2020

	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*
Equity investment designated at FVOCI	—	—	173,456	173,456
Financial assets at FVPL	—	—	865,263	865,263
Bills receivable	—	32,171	—	32,171
	—	32,171	1,038,719	1,070,890

The Group did not have any financial liabilities measured at fair value as at September 30, 2020 and March 31, 2020.

During the six months ended September 30, 2020 and the year ended March 31, 2020, 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended September 30, 2020

22 SUBSEQUENT EVENTS

Capital Increase Agreement and Equity Transfer Agreement

On September 23, 2020, the Group, through its subsidiary, Alibaba Health Technology (Beijing) Company Limited^ (阿里健康科技(北京)有限公司) and Hongyun Jiukang, entered into a capital increase agreement with, among others, Come Future Technology (Zhejiang) Company Limited^ (來未來科技(浙江)有限公司) ("**Come Future**"), a limited liability company established in the PRC, pursuant to which the Group shall inject RMB216,000,000 in cash into Come Future and make in-kind contribution equivalent to RMB28,800,000 to Come Future by transferring its 80% equity interest in Seenew Medical Technology (Zhejiang) Co., Ltd.^ (熙牛醫療科技(浙江)有限公司) ("**Seenew Medical**"), a limited liability company established in the PRC (the "**Equity Transfer**"). On the same day, Hongyun Jiukang entered into an equity transfer agreement with Come Future for the Equity Transfer. Immediately upon completion of the capital increase agreement and equity transfer agreement, the registered capital of Come Future shall increase to RMB19,569,471 and the Group shall hold a total of 30% equity interests of Come Future. For details, please refer to the section headed "Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures" in this report.

23 APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the Board on November 25, 2020.

^ For identification purposes only