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## **ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED**

**阿里健康信息技術有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00241)**

### **ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED MARCH 31, 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of Alibaba Health Information Technology Limited (the “**Company**” or “**Alibaba Health**”) is pleased to announce the audited annual results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended March 31, 2023 (the “**Reporting Period**”) together with comparative figures for the preceding financial year (the “**Corresponding Period**”). The annual consolidated financial statements have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

#### **HIGHLIGHTS**

During the Reporting Period, the Group maintained rapid growth, with total revenue reaching approximately RMB26,763.0 million, representing an increase of 30.1% year-on-year. Revenue from the pharmaceutical direct sales business amounted to approximately RMB23,591.6 million, representing an increase of 31.7% year-on-year. The Group recorded gross profit of approximately RMB5,701.3 million and gross profit margin of 21.3%, which was attributable to the operation refinement of the Group’s business and digitalization upgrades and in turn improved its pricing capabilities and enhanced its operational efficiency. During the Reporting Period, the Group recorded a profit for the year of approximately RMB534.3 million, as compared with a loss for the year of approximately RMB265.9 million for the Corresponding Period. Despite an increasingly competitive environment, the Group managed to achieve a turnaround from loss to profit for the Reporting Period by leveraging on its improved pricing capabilities and enhanced operational efficiency driven by operation refinement and digitalization upgrades, as well as the continuous improvement in the Group’s delivery of medical and health services and product experience to users, which developed the habit of users purchasing pharmaceutical and healthcare products on the Group’s platforms.

As at March 31, 2023, the number of annual active users (those who made one or more actual purchase(s) on the platform within the past 12 months) of Tmall Healthcare Platform reached nearly 300 million. Following the continuous increase of the yearly consumption amount of healthcare products per capita, Tmall Healthcare Platform served over 28,000 merchants.

By leveraging on the Group's competitive edge in operation and brand strengths, as well as the high execution efficiency of its workforce, the pharmaceutical direct sales business recorded a revenue of approximately RMB23,591.6 million during the Reporting Period, representing an increase of 31.7% year-on-year. As at March 31, 2023, the number of annual active users (those who made one or more actual purchase(s) in the past 12 months) of the Group's direct online stores exceeded 130 million, representing an increase of over 20 million from 110 million as at March 31, 2022. The Group's pharmaceutical direct sales business currently serves 75 million members, representing an increase of 47.4% year-on-year. In the field of prescription drugs and by leveraging on the Group's leading digital technologies, the Group's pharmaceutical direct sales business collaborated with hundreds of pharmaceutical companies, including Novartis China and Pfizer, and established 19 "Health Care Centres"<sup>^</sup> (健康關愛中心) to provide patients with full chain omni-scenario services that cover digitalized healthcare education, prevention, treatment, guidance on the use of medication and health management. In terms of warehousing and logistics, the Group has further improved its smart supply chain system. As at March 31, 2023, the Group established a distribution network of 39 warehouses in 22 locations, among which 28 were pharmaceutical warehouses. With the application of smart tools, the Group has also greatly improved its warehousing operation capacity and efficiency. On the customer service front, the Group continued to improve its 24/7 departmental-based capabilities in providing guidance for the use of medication and upgraded its epidemic service assurance system, which led to a noticeable elevation in user satisfaction.

In terms of healthcare and digital services, the Group continued to enhance user experience of its professional healthcare services during the Reporting Period by providing its users with a seamless online-to-offline system of healthcare services (including, among others, TCM, medical checkups, nucleic acid testing, medical consultation, appointment-booking, vaccination, dental care, mental care, optometry and nursing) through a variety of terminals such as Taobao, Tmall, Alipay, “Dr. Deer” APP, AMap, DingTalk, Freshippo and Quark. As at March 31, 2023, nearly 200,000 licensed physicians, pharmacists and nutritionists contracted with the Group to provide online health consultation, representing an increase of over 40,000 professionals (including those from Xiaolu TCM) as compared with the number as at March 31, 2022, and the Group’s online consultation services reported an average of over 400,000 sessions per day. During the Reporting Period, the Group served nearly nine million chronic disease users, representing an increase of 35.2% year-on-year, with the per capita length of medication on a rapid rise year-on-year. In addition, Xiaolu TCM had served nearly one million patients during the Reporting Period and further improved its drug service network, covering 25 pharmaceutical dispensing centers including those in Hubei and Shenyang of the PRC. During the Reporting Period, revenue generated from the healthcare and digital services business amounted to RMB933.5 million, representing an increase of 45.7% year-on-year.

## KEY FINANCIAL FIGURES

	For the year ended March 31,		
	2023	2022	Change
	<i>RMB'000</i>	<i>RMB'000</i>	%
Revenue	<b>26,763,016</b>	20,577,616	30.1
Gross profit	<b>5,701,334</b>	4,107,993	38.8
(Loss)/Profit for the year	<b>534,263</b>	(265,941)	N/A
Adjusted net (loss)/profit <sup>(Note)</sup>	<b>751,369</b>	(394,259)	N/A

*Note:*

Adjusted net (loss)/profit is based on the (loss)/profit 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 fair value through profit or loss (“FVPL”) (non-current portion), gain or loss on deemed disposal of interests in associates, and gain or loss on disposal of subsidiaries. By excluding the impact of such items which are not indicative of our key operational performance, investors can better compare our operational performance across various periods.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Looking back at the financial year ended March 31, 2023, the Chinese government further formalized and standardized its regulations and rules for the internet healthcare industry, providing on-going support to develop the industry in an orderly and efficient manner. As it was clearly indicated in the report made at the 20th National Congress of the Communist Party of the People's Republic of China (the “**PRC**” or “**China**”) to “make safeguarding public health a priority for its development strategies”, the Chinese government has set out a clear direction for the internet intelligent healthcare industry to develop actively and guide the industry to provide customers with quality services. In June 2022, the National Health Commission of the PRC issued the “Measures for the Administration of Internet Diagnosis and Treatment (Provisional)”<sup>^</sup> (互聯網診療監管細則 (試行)), in which it stipulates detailed requirements for organizations, personnel, business, quality and safety procedures relating to internet diagnosis and treatment, thereby signifying a high degree of recognition among regulators for the “Internetization”<sup>^</sup> (互聯網化) of the healthcare industry. The “Measures for the Supervision and Administration of Online Drug Sales”<sup>^</sup> (藥品網絡銷售監督管理辦法), which came into effect in December 2022, allows online sale of prescription drugs, setting out the direction for compliance development of online drug sales. During the same period, the National Development and Reform Commission of the PRC issued the “Fourteenth Five-Year Plan for the Implementation of Strategies for Expanding Domestic Demand”<sup>^</sup> (「十四五」擴大內需戰略實施方案), in which it calls for an active development of “Internet + Healthcare” services, which includes the promotion of the orderly development of services such as appointment by sessions for diagnosis and treatment, circulation of electronic prescriptions and online drug sales, and inclusion of eligible internet healthcare services under the scope of medical insurance in accordance with existing procedures.

In March 2023, the General Office of the Central Committee of the Communist Party of the PRC and the General Office of the State Council of the PRC (the “**State Council**”) issued the “Opinions on Further Improving the Medical and Health Service System”<sup>^</sup> (關於進一步完善醫療衛生服務體系的意見), which highlights the supporting role of information technology by developing the “Internet + Healthcare” sector and establishing an industrial internet platform targeting the healthcare sector. As a leading player in the sector, the Group has always been actively responding to national policies amidst the ongoing enhancement of relevant policies and mechanisms and is also committed to strictly fulfilling its responsibilities and creating long-term values for its users in the internet healthcare industry. At the end of 2022, in light of the enhanced prevention and control policies, the Group had proactively participated in preventing and combating the COVID-19 pandemic by fully leveraging its digital capabilities. Under the guidance from the Ministry of Industry and Information Technology of the PRC and various local governments of the PRC, the Group managed to support the timely delivery of medicines and medical supplies in more than 20 regions across different cities and provinces,

meeting the longing demand for medicines from the public. In collaboration with media partners across China, the Group also introduced the “Peace of Mind Action”^ (安心行動), through which various healthcare services were launched, including free medical consultation for COVID-19, chronic disease protection and medication consultation. During the Reporting Period, all business segments of the Company continued to achieve solid growth.

During the Reporting Period, the total revenue of the Group reached RMB26,763.0 million, representing an increase of 30.1% year-on-year. The Group’s pharmaceutical direct sales business achieved a revenue of RMB23,591.6 million, representing an increase of 31.7% year-on-year. As at March 31, 2023, the number of annual active users (those who made one or more actual purchase(s) in the past 12 months) of the Group’s direct online stores exceeded 130 million. The Group’s pharmaceutical direct sales business currently serves 75 million members, representing an increase of 47.4% year-on-year. The number of annual active users (those who made one or more actual purchase(s) on the platform within the past 12 months) of Tmall Healthcare Platform reached nearly 300 million as at March 31, 2023. Following the continuous increase of the yearly consumption amount of healthcare products per capita, Tmall Healthcare Platform served over 28,000 merchants as at March 31, 2023, representing an increase of over 2,000 compared with the number as at March 31, 2022. In terms of warehousing and logistics, the Group has further improved its smart supply chain system. As at the end of the Reporting Period, the Group established a distribution network of 39 warehouses in 22 locations. With the application of smart tools, the Group has greatly improved its warehousing operation capacity and efficiency. On the customer service front, the Group continued to improve its 24/7 departmental-based capabilities in providing guidance for the use of medication and upgraded its epidemic service assurance system, which led to a noticeable elevation in user satisfaction. In terms of healthcare services, as at the end of the Reporting Period, nearly 200,000 licensed physicians, pharmacists and nutritionists contracted with the Group to provide online health consultation services, representing an increase of nearly 40,000 professionals (including those from Xiaolu traditional Chinese medicine (“**Xiaolu TCM**”)), as compared with the number as at March 31, 2022, with online consultation services reaching an average of over 400,000 sessions per day.

As the flagship healthcare platform of Alibaba Group Holding Limited (“**Alibaba Holding**”, together with its subsidiaries, “**Alibaba Group**”), the Group upholds its original intention to make healthcare services accessible. The Group will continue to consolidate and strengthen its existing business foundations in healthcare, explore innovative business models, actively foster innovative business ventures in the industry and prepare for the future to align with the evolving needs of its customers, while maintaining high standards of compliance and quality control. The Group will utilize its leading digital technology and digital operation capabilities, with “cloud-based infrastructure” as the foundation, “cloud-based pharmacy” as the core, and “cloud-based hospital” as the engine to provide affordable, convenient, efficient and reliable medical and healthcare services to hundreds of millions of families.

## **Pharmaceutical E-commerce Business**

The customer-centric pharmaceutical e-commerce business of the Group makes full use of its brand advantages and resources accumulated over the years. Building on its strengths in e-commerce, big data and cloud computing, the Group actively expands cooperations with recognized upstream pharmaceutical, nutritional and healthcare product manufacturers and distributors through a synergetic operation model that integrates its pharmaceutical direct sales business, the Tmall Healthcare Platform and its new retail business. The Group aims to provide a comprehensive suite of internet integrated healthcare management solutions for users with healthcare needs. During the Reporting Period, the pharmaceutical e-commerce business continued to promote the construction of its omni-category and omni-scenario healthcare and pharmaceutical service platform.

- ***Pharmaceutical Direct Sales Business***

Adhering to its operation motto that highlights “authenticity, affordability, professionalism and reliability”, the Group’s pharmaceutical direct sales business is committed to providing consumers from Tmall, Taobao, Alipay, Taobao Deals, Ele.me and Kaola with comprehensive and affordable healthcare services, including prescription drugs, over-the-counter (OTC) drugs, nutritional supplements, medical devices and contact lenses. Leveraging on the Group’s competitive edge in operation and brand strengths, as well as the high execution efficiency of its workforce, the pharmaceutical direct sales business recorded a revenue of RMB23,591.6 million during the Reporting Period, representing an increase of 31.7% year-on-year. As at March 31, 2023, the number of annual active users (those who made one or more actual purchase(s) in the past 12 months) of the Group’s direct online stores exceeded 130 million, representing an increase of over 20 million as compared with the number as at March 31, 2022. The Group’s pharmaceutical direct sales business currently serves 75 million members, representing an increase of 47.4% year-on-year.

As the general public becomes increasingly health conscious, the Group continues to create growth opportunities for the healthcare industry by capturing user needs and promoting mutual growth with pharmaceutical companies. In the field of prescription drugs, the Group’s pharmaceutical direct sales business continued to engage well-known pharmaceutical companies worldwide for all-round strategic partnerships. During the Reporting Period, leveraging on its leading digital technologies, the Group’s pharmaceutical direct sales business collaborated with hundreds of pharmaceutical companies, including Novartis China, Pfizer, Servier and Haisco, and established 19 “Health Care Centres”^ (健康關愛中心) to provide patients with full chain omni-scenario services that cover digitalized healthcare education, prevention, treatment, guidance on the use of medication and health management. In terms of the non-pharmaceutical categories, the Group’s pharmaceutical direct sales business has always adhered to the business philosophy of providing its users with one-stop access to a full range of healthcare products in a safe manner. During the Reporting Period, the Group continued to enrich its supply

of non-pharmaceutical categories by undertaking in-depth cooperations with more than 3,000 brands which have strengths in brand marketing, operations and supply chain, leading to continuous improvement in user experience. The Group continued to improve and deliver remarkable results in its supporting infrastructure and service capabilities in warehousing, logistics and customer services. In terms of warehousing and logistics, the Group has further improved its smart supply chain system. As at March 31, 2023, the Group established a distribution network of 39 warehouses in 22 locations. With the application of smart tools, the Group has greatly improved its warehousing operation capacity and efficiency. On the customer service front, the Group continued to improve its 24/7 departmental-based capabilities in providing guidance for the use of medication and upgraded its epidemic service assurance system, which led to a noticeable elevation in user satisfaction. Furthermore, relying on its strong supply chain fulfillment capabilities, its leading position in digital technology, and advantages resulted from its comprehensive product offerings, the Group supported the timely delivery of medicines and medical supplies in more than 20 regions across cities and provinces in China with the guidance from the Ministry of Industry and Information Technology of the PRC and various local governments of the PRC. By taking on the challenging task of ensuring the supply of medical supplies and reducing barriers faced by the public to access pharmaceutical products, the Group focused on providing local residents with antipyretic drugs, N95 respirators, as well as other drugs and items which are in short supply.

- ***Pharmaceutical E-Commerce Platform Business — Tmall Healthcare Platform***

As a leading pharmaceutical and healthcare products service platform in China, Tmall Healthcare Platform continued to leverage its digital capabilities during the Reporting Period, as it collaborated with partners to jointly explore new development trends within the sector, and to provide a wide spectrum of users with accessible and quality healthcare services. As at March 31, 2023, the number of annual active users (those who made one or more actual purchase(s) within the past 12 months) on the Tmall Healthcare Platform reached nearly 300 million and the yearly consumption amount of healthcare products per capita continued to increase. Additionally, Tmall Healthcare Platform served over 28,000 merchants. In light of rising demands for healthcare consumption in the post-pandemic era, the Group will continue to focus on user refinement operation, assist its partners in exploring new growth engines, and revitalize the healthcare sector for new momentum. In terms of pharmaceutical services, Tmall Healthcare Platform launched its “elderly version” in collaboration with Taobao to provide elderly users with exclusive customer services during the 11.11 Global Shopping Festival, allowing the elderly to enjoy a better online drug purchase experience. In terms of the non-pharmaceutical categories, by capturing consumer demands and observing the new trends in healthcare products, the Group provided comprehensive support to nurture the healthcare food business segment through the launch of the “Blue Cap Incubation Program”<sup>^</sup> (藍帽子護航計劃) and assisted its merchants to grow in this category. Regarding the home devices

categories, Tmall Healthcare Platform has successively published professional guidelines for many sub-categories (such as nasal washer and pelvic floor rehabilitation devices) to promote user education on trending categories. Over the past three years, Tmall Healthcare Platform successfully developed 10 new categories of over RMB5 billion in value, including, among others, color contact lenses, blood glucose supplies, medical patch materials, moxibustion and mugwort products. Tmall Healthcare Platform has become the preferred platform sought by brands to develop trending categories and achieve sustainable development.

- ***Pharmaceutical E-commerce Platform Business — New Retail Model***

Keeping abreast of China’s latest national policies and relying on its accumulated operational experience and capabilities from implementing online medical insurance and dual-channel medical insurance, the Group continues to enrich its online-to-offline service application that integrates “medication + medical care + medical insurance” with the support of industry-leading technologies. Relying on the continuous improvement in its professional service capabilities, the Group aims to provide its users with additional guidance on medication and health management, so as to make it more convenient for the public to seek medical consultation and purchase medicine, and make medical insurance more affordable and accessible to the public.

## **Healthcare and Digital Services Business**

During the Reporting Period, the Group continued to enhance user experience of the professional healthcare services by providing its users with a seamless online-to-offline system of healthcare services (including, among others, traditional Chinese medicine (“TCM”), medical checkups, nucleic acid testing, medical consultation, appointment-booking, vaccination, dental care, mental care, optometry and nursing) through a variety of terminals such as Tmall, Taobao, Alipay, “Dr. Deer” APP, AMap, DingTalk, Freshippo and Quark. As at March 31, 2023, nearly 200,000 licensed physicians, pharmacists and nutritionists contracted with the Group to provide online health consultation services, representing an increase of nearly 40,000 professionals (including those from Xiaolu TCM) as compared with the number as at March 31, 2022. As at March 31, 2023, the Group’s online consultation services reported an average of over 400,000 sessions per day. During the Reporting Period, revenue generated from the healthcare and digital services business amounted to RMB933.5 million, representing an increase of 45.7% year-on-year.

- ***Healthcare Services***

Leveraging on its internet hospitals as a network, the Group has fully utilized its technical advantages to improve the efficiency of medical services, optimize service process and enhance medical supply capabilities. Through the launch of service offerings including online consultation, prescription refill, discounted medication, targeted education, precise follow-up visits, companion support and after-sales support services in internet hospitals, the Group has established a new service portal for chronic disease patients, doctors and pharmaceutical companies. As at March 31, 2023, the Group served nearly nine million chronic disease users for the financial year, an increase of 35% year-on-year, with the per capita length of medication use on a rapid rise year-on-year. In addition to having developed their competencies in patient management covering 17 core disease areas, including, among others, respiratory, neurology, hepatitis B and enteral nutrition, the internet hospitals within the Group's network have also formed cooperations with dozens of well-known domestic and foreign pharmaceutical companies, such as Organon, UCB and LEO Pharma. Not only did the Group record a significant increase in the number of partnerships as compared with the number during the Corresponding Period, the internet hospitals were also well received by its pharmaceutical partners.

During the Reporting Period, the Group continued to improve the full chain of experience before, during and after vaccination, and expanded the scope of quality vaccine supply services. Through cooperations with thousands of vaccination clinics, the Group served tens of millions of users by providing them with education on vaccination, as well as appointment by sessions, making the Group one of the leading online platforms for vaccination services in China. As at March 31, 2023, the Group partnered with over 7,000 public and private medical checkup institutions. In addition to offering users from multiple terminals (including, among others, Tmall, Alipay, "Dr. Deer" APP, Freshippo and AMap) consumer-grade and professional/medical-grade medical checkup services, the Group also recommended customized online add-ons to cater for different demographic characteristics, allowing its users to access personalized and comprehensive healthcare management services.

In terms of TCM services, Xiaolu TCM has always adhered to the philosophy of "reliable Chinese medicine". Xiaolu TCM aims to support the "Healthy China"<sup>^</sup> (健康中國) ambition by facilitating TCM medical services through the "Internet +" model continuously and further expanding its online and offline medical service network to establish a closed-loop system covering all TCM medical services. During the Reporting Period, in order to help more patients find reputable practitioners close by and enjoy quality medical services, Xiaolu TCM released the "2023 Gold Bianque Top 100 TCM Practitioners List"<sup>^</sup> (2023金扁鵲中醫百強榜) in its capacity as the officially-designated platform. Xiaolu TCM also launched a video consultation function to bring patients and doctors the same experience as they would expect in a consultation room. As at March 31, 2023, Xiaolu TCM had more than 100,000 registered TCM practitioners, having served nearly one million patients during the

Reporting Period and further improved its drug service network, and its dispensing centers covered 25 regions across different provinces and direct-administered municipalities.

- ***Digital Tracking Business***

During the Reporting Period, the Group's proprietary "Ma Shang Fang Xin" (碼上放心) tracking platform business continued to maintain a steady pace of development. As a pioneer in the field of drug tracking, the Group follows the strengthened implementation of China's drug tracking policy for key drug varieties across the entire chain, and the "Ma Shang Fang Xin" platform has further launched its full chain coverage over drug production, distribution, retail terminal pharmacies and healthcare institutions. As at March 31, 2023, based on the "one object, one code" product operation and digital service capacity, the "Ma Shang Fang Xin" platform cooperated with more than 300 top pharmaceutical companies to provide them with doctor-patient education and digital marketing services as well as intensified cooperation with more than 50 pharmaceutical companies to develop digitalized channel management through the use of tracking code.

## **Public Service**

At the end of 2022, following the enhanced epidemic prevention and control policies against COVID-19, the Group actively responded to the requests from medical treatment team under the State Council's Joint Prevention and Control Mechanism and launched the "Peace of Mind Action" (安心行動). By introducing five reassuring measures, namely fever consultation, care for emotional wellbeing, chronic disease protection, medication consultation and "Ma Shang Fang Xin", the Group provided its users with professional support and caring companionship. Building on this foundation, the Group launched two initiatives with Alibaba Foundation to provide epidemic-related support in rural areas across China: a free COVID-19 online medical consultation for rural residents and internal immigrants in China, and a training scheme for grassroot doctors. The Group also donated medical supplies and equipment to rural clinics in the counties to which its rural development ambassadors were dispatched, ensuring full access to antipyretic drugs for over 5,000 rural clinics.

During the 11.11 Global Shopping Festival, Alibaba Health Philanthropy launched the "Hearing Aid Scheme" (助聽行動) in collaboration with professional hearing aid brands such as Tmall Health, Eartech (摯聽) and Fucong (復聰), as well as China Social Welfare Foundation and Alibaba Foundation. This scheme has helped the elderly find professional and reliable medical solutions to their hearing problem through the provision of online-to-offline hearing test consultations and scientific education. Alibaba Health Philanthropy also joined hands with Alibaba Foundation and China Association of County Hospital President to launch supportive initiatives featuring interventional cardiology in counties such as Qinglong Manchu Autonomous County in Hebei province, and Yongshun County in Hunan province's Xiangxi prefecture. As at March 31, 2023,

the Group assisted in training a total of 3,744 interventional cardiologists with cumulative online learning time exceeding 86,000 hours. “Xiao Lu Lantern”^ (小鹿燈) Children’s Serious Disease Relief Platform has also made rapid progress. As at March 31, 2023, the platform held 37 free medical consultation sessions covering over 410 towns in 31 counties in 15 provinces, over 14,000 children were identified through free screening, campus screening, as well as reports filed at both county and foundation-supported hospital levels.

## **Future Prospects**

As a technology innovation company rooted deeply in the internet industry, the Group always places user value at its core, and strives to maintain high standards of compliance and quality control. By utilizing the internet technologies and other technological innovations, the Group works closely with its partners in the ecosystem to explore opportunities within the internet healthcare and digital health fields, and customize health management solutions of greater efficiency and accuracy for its users to improve their health and quality of life.

In terms of the pharmaceutical e-commerce business, Tmall Healthcare Platform will further leverage on its digital capabilities to address the need of its growing user base for healthcare services of greater convenience and better quality, and cooperate with partners to explore new trends in the industry so as to accelerate sectoral development. In addition, the Group’s pharmaceutical direct sales business will continue to observe and understand user needs, and integrate the internet technological capabilities with the product offerings of pharmaceutical companies, thereby improving its coverage to patients and management efficiency, creating growth opportunities and hence making medical resources more accessible. With a deep insight into the internet healthcare industry, the Group will continue to explore and practice in the healthcare services industry and enhance its professional healthcare service capabilities. In order to make vaccination more accessible, the Group will continue to expand the scope of its vaccine supply, promote scientific education among its users, and enhance the digital competence of its vaccination services. Additionally, the Group will strengthen collaboration with partners from the Alibaba ecosystem, undertake in-depth cooperations on localized services such as medical checkups and examinations to provide users with multi-level and diversified healthcare services.

As a leading player in the healthcare services industry, the Group will take the initiative to keep abreast of the latest policy developments, uphold its original intention to make healthcare services accessible, and build a one-stop healthcare system that combines both online-to-offline services with a focus on its users’ underlying needs. The Group aims at utilizing its leading digital technology and digital operation capabilities, with “cloud-based infrastructure” as the foundation, “cloud-based pharmacy” as the core, and “cloud-based hospital” as the engine to provide affordable, convenient, efficient and reliable medical and healthcare services to hundreds of millions of families.

## FINANCIAL REVIEW

The key financial data of the Group for the years ended March 31, 2023 and 2022 is summarized as follows:

	<b>2023</b>	2022	Change
	<b>RMB'000</b>	<b>RMB'000</b>	%
Revenue	<b>26,763,016</b>	20,577,616	30.1
Gross profit	<b>5,701,334</b>	4,107,993	38.8
Gross profit margin	<b>21.3%</b>	20.0%	N/A
Fulfillment	<b>(2,907,137)</b>	(2,097,287)	38.6
Sales and marketing expenses	<b>(1,768,675)</b>	(1,981,279)	(10.7)
Administrative expenses	<b>(379,487)</b>	(395,082)	(3.9)
Product development expenses	<b>(677,822)</b>	(728,828)	(7.0)
Other income and gains	<b>618,069</b>	899,494	(31.3)
Share of profits of joint ventures	<b>48,981</b>	1,269	3,759.8
Share of losses of associates	<b>(37,600)</b>	(46,889)	(19.8)
Income tax expense	<b>(16,731)</b>	(13,427)	24.6
<b>Profit/(Loss) for the year</b>	<b>534,263</b>	(265,941)	N/A
<b>NON-HKFRS ADJUSTMENTS</b>			
Adjusted net profit/(loss)	<b>751,369</b>	(394,259)	N/A

### — Revenue

Revenue of the Group for the Reporting Period amounted to RMB26,763,016,000, representing an increase of RMB6,185,400,000 or 30.1% as compared with RMB20,577,616,000 for the Corresponding Period. The increase in revenue was mainly attributable to the rapid growth of the pharmaceutical direct sales business and healthcare and digital services business during the Reporting Period.

— ***Pharmaceutical Direct Sales Business***

The pharmaceutical direct sales business of the Group primarily comprises the direct business-to-customer (“B2C”) retail and advertisement related business. During the Reporting Period, the overall revenue from the pharmaceutical direct sales business reached RMB23,591,577,000, representing an increase of 31.7% year-on-year. The growth in revenue from the pharmaceutical direct sales business was mainly attributable to the constant enrichment of categories of goods sold through the direct B2C retail and stock keeping units (“SKUs”), the increased sales volume of prescription drugs driven by in-depth cooperation with pharmaceutical companies, as well as the continuous optimization of user experience by adopting a number of measures, such as improving information security and providing more professional consultation services.

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

The pharmaceutical e-commerce platform business of the Group comprises the e-commerce platform business acquired from Alibaba Group (including categories of, among others, pharmaceutical products, healthcare food, medical devices, adult and family planning products, contact lenses, and medical and healthcare services and other categories of e-commerce platform business), and the provision of outsourced services to Tmall Healthcare Platform (in respect of categories other than those that have already been acquired) and the new pharmaceutical retail business. During the Reporting Period, the total revenue of the above businesses amounted to RMB2,237,953,000, representing an increase of 10.5% year-on-year.

— ***Healthcare and Digital Services Business***

During the Reporting Period, the Group continued to penetrate the areas of Internet healthcare and healthcare service, and leveraged on the ability of Alibaba’s ecosystem to acquire user traffic, offer multilevel, diversified, professional and convenient medical and healthcare services, including medical checkups, nucleic acid testing, medical consultation, appointment-booking, vaccination and TCM, to end users from a wide range of channels, such as Taobao, Tmall, Alipay, “Dr. Deer” APP, AMap, DingTalk and Quark, with seamless online-to-offline operation. Digital services business includes tracking business and “Ma Shang Fang Xin”, the Group’s proprietary tracking platform, continued to grow steadily, by offering more value-added services with further penetration into the area of distribution and increasing the coverage of retail terminals. During the Reporting Period, the Group recorded a revenue of RMB933,486,000 from the healthcare and digital services business, representing an growth of 45.7% year-on-year.

— **Gross profit and gross profit margin**

The Group recorded a gross profit of RMB5,701,334,000 for the Reporting Period, representing an increase of RMB1,593,341,000 or 38.8% from RMB4,107,993,000 for the Corresponding Period. Gross profit margin for the Reporting Period was 21.3%, representing an increase as compared with 20.0% for the Corresponding Period. This was mainly attributable to the Group's penetration in the areas of operation refinement and digital upgrades during the Reporting Period, resulting in an optimization in operating efficiency and an improvement in pricing capabilities.

— **Other income and gains**

Other income and gains for the Reporting Period amounted to RMB618,069,000, which primarily comprised interest income and gain on disposal of investments incurred during the year. The decrease from RMB899,494,000 for the Corresponding Period was mainly due to the decrease in gain on disposal of investments and fair value gain on financial assets at FVPL.

— **Fulfillment**

Warehousing, logistics and customer service expenses, commissions on the Tmall Healthcare Platform, payment of handling fees and relevant staff costs incurred by the Group's pharmaceutical direct sales business were included in fulfillment costs. Fulfillment costs for the Reporting Period amounted to RMB2,907,137,000, representing an increase of RMB809,850,000 or 38.6% from RMB2,097,287,000 for the Corresponding Period. During the Reporting Period, fulfillment costs as a proportion of the revenue generated from pharmaceutical direct sales business increased by approximately 0.6% to 12.3%, as compared with 11.7% for the Corresponding Period, mainly due to the rise in fulfillment costs during the COVID-19 pandemic. In addition, activities such as single packaging were launched during the year to optimize user experience and the fulfillment rate increased as the amount of individual orders decreased. The fulfillment rate for the Reporting Period after excluding the impact of COVID-19 and operational activities, is roughly the same as the Corresponding Period.

— **Sales and marketing expenses**

Sales and marketing expenses for the Reporting Period amounted to RMB1,768,675,000, representing a decrease of RMB212,604,000 or 10.7% as compared with RMB1,981,279,000 for the Corresponding Period. The decrease was mainly attributable to the optimization of marketing and advertising strategies, and the Group's adjustment in the investment for developing the brand awareness of Tmall Healthcare Platform and pharmaceutical direct sales business.

— **Administrative expenses**

Administrative expenses for the Reporting Period amounted to RMB379,487,000, representing a decrease of RMB15,595,000 or 3.9% as compared with RMB395,082,000 for the Corresponding Period, benefiting from cost controls and the continuing effect of the economies of scale.

— **Product development expenses**

Product development expenses for the Reporting Period amounted to RMB677,822,000, representing a decrease of RMB51,006,000 or 7.0% as compared with RMB728,828,000 for the Corresponding Period, which was due to optimization of cost controls and research and development strategies during the Reporting Period.

— **Share of profits of joint ventures**

Share of profits of joint ventures represents the share of net operating results of the joint venture held as to 13.7% by the Group, Jiangsu Zijin Hongyun Health Industry Investment Partnership (Limited Partnership)^ (江蘇紫金弘雲健康產業投資合夥企業(有限合夥)). For the Reporting Period, the Group's share of profits of joint ventures was RMB48,981,000, as compared with RMB1,269,000 for the Corresponding Period.

— **Share of losses of associates**

The Group actively invests in the healthcare segment. The Group's share of losses of associates for the Reporting Period amounted to RMB37,600,000, representing a decrease of RMB9,289,000 as compared with the losses of RMB46,889,000 recorded for the Corresponding Period. Share of losses of associates for the year was mainly attributable to the fact that the progress of projects undertaken by some of the Group's associates engaged in providing services to hospitals was delayed due to the impact of COVID-19, and that some associates were still at the transformation or growing stage.

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

The Group's profit for the Reporting Period amounted to RMB534,263,000, as compared with a loss of RMB265,941,000 for the Corresponding Period. The Group's adjusted net profit for the Reporting Period amounted to RMB751,369,000, as compared with an adjusted net loss of RMB394,259,000 for the Corresponding Period. Adjusted net profit/(loss) 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 disposal of subsidiaries (net of tax), and gain or loss on deemed disposal of associates (net of tax). The adjusted net profit/loss for the Reporting Period achieved a turnaround from loss to profit, mainly attributable to

the continuous growth in the number of users on pharmaceutical direct sales business platforms, the operation refinement of the Group's business which has improved its bargaining and pricing capabilities and enhanced its operational efficiency, and the improvement in efficiency and cost sharing driven by the economies of scale on the platform.

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/(loss), which is not required under, or presented in accordance with, HKFRSs, as an additional financial indicator. The Group believes that presenting the non-HKFRS indicator together with the relevant HKFRS indicator will facilitate investors to compare its operational performance across various periods by removing the potential impact of items which its management considers as not indicative of its operational performance. The Group believes that the non-HKFRS indicator provides investors and others with helpful information to understand and assess its consolidated operational results in the same way that its management does. However, the presentation of adjusted net (loss)/profit 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 considered as being independent of the operational results or financial position presented under HKFRSs, or as a substitute for analyzing the relevant operational results or financial position. In addition, the definition of such non-HKFRS indicator may differ from the definitions of similar indicators used by other companies.

The adjusted net profit/loss for the years ended March 31, 2023 and 2022 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 year):

	<b>For the year ended</b>	
	<b>March 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	<i>RMB'000</i>
Profit/(loss)for the year	<b>534,263</b>	(265,941)
Excluding		
— Share-based compensation	<b>308,890</b>	408,098
— Fair value gain on financial assets at FVPL, net of tax	<b>(43,834)</b>	(155,024)
— Gain on deemed disposal of interests in associates, net of tax	<b>(32,123)</b>	(381,392)
— Gain on disposal of associates, net of tax	<b>(17,135)</b>	—
— Gain on disposal of subsidiaries, net of tax	<b>1,308</b>	—
	<b>751,369</b>	(394,259)
Adjusted net profit/(loss)	<b>751,369</b>	(394,259)

## FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

For the Reporting Period, the Group met its cash requirements primarily through cash generated from operating activities. The Group's cash and cash equivalents represent cash and bank balances. As at March 31, 2023 and March 31, 2022, the Group's cash and cash equivalents amounted to RMB10,917,171,000 and RMB10,547,851,000, respectively.

Cash flows of the Group for the years ended March 31, 2023 and 2022 were as follows:

	<b>For the year ended</b>	
	<b>March 31,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	<i>RMB'000</i>
Net cash flows generated from operating activities	<b>255,690</b>	424,363
Net cash flows (used in)/generated from investing activities	<b>(532,436)</b>	1,872,308
Net cash flows used in financing activities	<b>(111,278)</b>	(58,628)
Net (decrease)/increase in cash and cash equivalents	<b>(388,024)</b>	2,238,043
Cash and cash equivalents at the beginning of the year	<b>9,341,427</b>	7,252,275
Effects of exchange rate changes	<b>283,447</b>	(148,891)
Cash and cash equivalents at the end of the year	<b>9,236,850</b>	9,341,427
Non-pledged time deposits with a holding period of over three months	<b>1,680,321</b>	1,206,424
Cash and cash equivalents at the end of the year as stated in the consolidated financial statements	<b><u>10,917,171</u></b>	<u>10,547,851</u>

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

For the Reporting Period, net cash flows generated from operating activities amounted to RMB255,690,000, primarily attributable to profit before income tax from continuing operations of RMB550,994,000, as adjusted by: (i) non-cash or non-operating activities expense items, which primarily comprised the addition of share-based compensation expenses of RMB308,890,000, and the deduction of bank and other interest income of RMB331,588,000; (ii) changes in working capital, which primarily comprised an increase in trade and bills payables of RMB186,711,000, an increase in prepayments, other receivables of RMB214,854,000, an increase in other payables and accruals of RMB89,082,000, an increase in contract liabilities of RMB234,388,000, an increase in inventories of RMB711,694,000; and (iii) addition of interest received of RMB274,168,000.

### **Net cash flows generated from investing activities**

For the Reporting Period, net cash used in investing activities amounted to RMB532,436,000, which was primarily attributable to the increase of the time deposits with original maturity of over three months of RMB376,766,000, net cash used in the payment of acquisition activities of RMB77,326,000 and net cash used in the purchase of financial assets at FVPL of RMB142,420,000 during the Reporting Period.

### **Net cash flows used in financing activities**

For the Reporting Period, net cash flows used in financing activities was RMB111,278,000, which was primarily attributable to the principal portion of lease payments of RMB42,586,000 and the payment of RMB81,582,000 for repurchase of shares during the Reporting Period.

### **Gearing ratio**

As at March 31, 2023, the Group did not have any borrowings, and hence no gearing ratio was shown (March 31, 2022: Nil).

### **Charged on assets and contingent liabilities**

As at March 31, 2023, the Group did not have any material contingent liabilities and had not pledged any Group assets for bank loans and banking facilities.

### **Liquidity**

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 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.

### **Foreign exchange exposures**

Except for 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 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 March 31, 2023 was 1,560 (March 31, 2022: 1,870). Total staff costs of the Group for the Reporting Period amounted to RMB1,223.0 million (for the Corresponding Period: RMB1,303.2 million). 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 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. The Share Award Scheme was adopted before the effective date of the new Chapter 17 of the Listing Rules. The Company will comply with the new Chapter 17 in accordance with the transitional arrangements for the existing share scheme.

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

During the Reporting Period, the Group did not purchase any short-term and liquid investments and financial assets. The Company has its own treasury policy setting 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 can invest 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. 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. As at March 31, 2023, the Company did not have any short-term investment at FVPL (balance as at March 31, 2022: Nil).

During the Reporting Period, the Group did not have any significant investments nor did the Group carry out any material acquisition and disposal of subsidiaries, associates and joint ventures.

## **DIVIDEND**

The Board does not recommend the payment of a final dividend for the Reporting Period (for the Corresponding Period: Nil).

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended March 31, 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	4	26,763,016	20,577,616
Cost of sales		<u>(21,061,682)</u>	<u>(16,469,623)</u>
Gross profit		5,701,334	4,107,993
Other income and gains	4	618,069	899,494
Operating expenses			
Fulfilment		(2,907,137)	(2,097,287)
Selling and marketing expenses		(1,768,675)	(1,981,279)
Administrative expenses		(379,487)	(395,082)
Product development expenses		(677,822)	(728,828)
Other expenses and losses		(40,836)	(8,090)
Finance costs		(5,833)	(3,815)
Share of profits/(losses) of:			
Joint ventures		48,981	1,269
Associates		<u>(37,600)</u>	<u>(46,889)</u>
PROFIT/(LOSS) BEFORE TAX	5	550,994	(252,514)
Income tax expense	6	<u>(16,731)</u>	<u>(13,427)</u>
PROFIT/(LOSS) FOR THE YEAR		<u>534,263</u>	<u>(265,941)</u>
Attributable to:			
Owners of the parent		533,407	(265,555)
Non-controlling interests		<u>856</u>	<u>(386)</u>
		<u>534,263</u>	<u>(265,941)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic		<u>RMB3.95 cents</u>	<u>RMB(1.97) cents</u>
Diluted		<u>RMB3.94 cents</u>	<u>RMB(1.97) cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended March 31, 2023

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
PROFIT/(LOSS) FOR THE YEAR	<u>534,263</u>	<u>(265,941)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of an associate	—	17
Exchange differences on translation of the Group's subsidiaries	<u>(296,049)</u>	<u>65,104</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>(296,049)</u>	<u>65,121</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company Equity investment designated at fair value through other comprehensive income:		
Changes in fair value	<u>(30,090)</u>	<u>(17,177)</u>
Income tax effect	<u>2,174</u>	<u>1,718</u>
	<u>(27,916)</u>	<u>(15,459)</u>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	<u>611,693</u>	<u>(352,580)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>315,644</u>	<u>(287,459)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>849,907</u>	<u>(553,400)</u>
Attributable to:		
Owners of the parent	<u>849,051</u>	<u>(553,014)</u>
Non-controlling interests	<u>856</u>	<u>(386)</u>
	<u>849,907</u>	<u>(553,400)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2023

	<i>Notes</i>	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property and equipment		<b>14,235</b>	20,176
Right-of-use assets		<b>54,313</b>	144,930
Goodwill		<b>810,853</b>	810,853
Other intangible assets		<b>309,010</b>	326,215
Investments in joint ventures		<b>249,441</b>	160,660
Investments in associates		<b>2,336,704</b>	2,340,814
Equity investment designated at fair value through other comprehensive income		<b>122,062</b>	140,900
Financial assets at fair value through profit or loss		<b>1,883,292</b>	1,661,490
Other receivables and other assets		<b>20,024</b>	13,030
Deferred tax assets		<b>33,831</b>	17,390
		<hr/>	<hr/>
Total non-current assets		<b>5,833,765</b>	5,636,458
<b>CURRENT ASSETS</b>			
Prepaid tax		<b>25,318</b>	23,525
Inventories		<b>2,102,312</b>	1,550,150
Trade and bills receivables	9	<b>578,787</b>	515,985
Prepayments, other receivables and other assets		<b>1,139,940</b>	864,875
Restricted cash		<b>150,262</b>	63,125
Cash and cash equivalents		<b>10,917,171</b>	10,547,851
		<hr/>	<hr/>
Total current assets		<b>14,913,790</b>	13,565,511
<b>CURRENT LIABILITIES</b>			
Lease liabilities		<b>37,437</b>	50,656
Trade and bills payables	10	<b>3,714,047</b>	3,528,597
Other payables and accruals		<b>1,127,492</b>	941,376
Contract liabilities		<b>495,066</b>	260,678
Tax payable		<b>63,402</b>	40,826
		<hr/>	<hr/>
Total current liabilities		<b>5,437,444</b>	4,822,133
<b>NET CURRENT ASSETS</b>		<b>9,476,346</b>	8,743,378
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>15,310,111</b>	14,379,836
		<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***March 31, 2023*

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	<b>40,361</b>	84,758
Deferred tax liabilities	<b>122,417</b>	116,483
Other payables	<b>—</b>	106,363
	<hr/>	<hr/>
Total non-current liabilities	<b>162,778</b>	307,604
	<hr/>	<hr/>
Net assets	<b>15,147,333</b>	14,072,232
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	<b>119,133</b>	119,102
Treasury shares	<b>(70,482)</b>	(23,516)
Reserves	<b>15,125,056</b>	14,002,833
	<hr/>	<hr/>
<b>Non-controlling interests</b>	<b>15,173,707</b>	14,098,419
	<b>(26,374)</b>	(26,187)
	<hr/>	<hr/>
Total equity	<b>15,147,333</b>	14,072,232
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO FINANCIAL STATEMENTS

March 31, 2023

### 1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial instruments at fair value through profit or loss (“FVPL”), bills receivable, an equity investment designated at fair value through other comprehensive income (“FVOCI”) and contingent consideration included in other payables and accruals, which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “**Conceptual Framework**”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after April 1, 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of plant and equipment made available for use on or after April 1, 2021. Since there was no sale of items produced prior to the plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labor and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at April 1, 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. The amendment applicable to the Group is HKFRS 9 *Financial Instruments* which clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from April 1, 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

## 3. OPERATING SEGMENT INFORMATION

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

### Geographical information

As at March 31, 2023, over 95% (2022: 95%) of the Group's revenue from external customers and non-current assets other than financial instruments and deferred tax assets attributed to Mainland China as determined based on the locations of customers and assets, respectively.

### Information about a major customer

During the year ended March 31, 2023, there was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group's revenue (2022: Nil).

#### 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue from contracts with customers is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Pharmaceutical direct sales business	23,591,577	17,911,088
Pharmaceutical e-commerce platform business	2,237,953	2,025,855
Healthcare and digital services business	933,486	640,673
	<u>26,763,016</u>	<u>20,577,616</u>

Considering the continuous evolution of Xiaolu traditional Chinese medicine e-commerce platform business and the strategic deployment of management in cosmetic medicine and other non-pharmaceutical services, Tmall pharmaceutical e-commerce platform business and Xiaolu traditional Chinese medicine e-commerce platform business (previously under healthcare and digital services business) were integrated into pharmaceutical e-commerce platform business, while cosmetic medicine and other non-pharmaceutical services (previously under pharmaceutical e-commerce platform business) were included in healthcare and digital services business to better reflect the Group's current business and revenue streams, and the corresponding comparative amounts have been reclassified and restated to conform with the current year's presentation.

##### (i) Disaggregated revenue information

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Type of goods or services:		
Sale of products	22,578,076	17,128,890
Provision of services	4,184,940	3,448,726
	<u>26,763,016</u>	<u>20,577,616</u>
Timing of revenue recognition:		
At a point in time	25,036,819	19,263,318
Over time	1,726,197	1,314,298
	<u>26,763,016</u>	<u>20,577,616</u>

#### 4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

##### (i) Disaggregated revenue information (Continued)

The following table shows the amounts of revenue recognized in the reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Sale of products	3,985	3,815
Provision of services	<u>256,693</u>	<u>182,703</u>
	<u><u>260,678</u></u>	<u><u>186,518</u></u>

##### (ii) Performance obligations

Information about the Group's performance obligations is summarized below:

###### *Sale of products*

The performance obligation is satisfied upon delivery of the pharmaceutical and healthcare products. For B2C pharmacy sales, payment is received from the payment platform, i.e. Alipay.com Co., Ltd. (支付寶(中國)網絡技術有限公司) (“Alipay”), when the receipt of goods is confirmed by customers or by the payment platform automatically within a pre-specified period of time after delivery. For B2B pharmacy sales, payment is generally due within 30 to 90 days, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return which gives rise to variable consideration subject to constraint.

###### *Provision of services*

The performance obligation is satisfied over time or at a point in time as marketing services, outsourced and value-added services, E-commerce platform services and healthcare and digital services are rendered to Tmall Entities. Payment is generally received upon the completion of the underlying transactions, prior to the provision of services on a full prepayment basis, or due within 30 to 90 days.

#### 4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

##### (ii) Performance obligations (Continued)

The Group has elected the practical expedient for not to disclose the remaining performance obligations because the performance obligations are part of contracts with original expected duration of one year or less (2022: one year or less).

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Other income		
Bank interest income	330,442	209,664
Government grants <sup>#</sup>	83,033	75,637
Management fee income	9,452	20,674
Other interest income	1,146	174
Technical services income	—	4,000
Dividend income	—	3,741
Others	6,681	2,231
	<u>430,754</u>	<u>316,121</u>
Gains		
Foreign exchange differences, net	72,064	39,701
Fair value gains on financial assets at fair value through profit or loss	47,917	162,062
Gain on deemed disposal of interests in associates	41,474	381,392
Gain on partial disposal of interests in an associate	22,847	—
Gain on recognition of net investments in subleases	2,649	—
Covid-19-related rent concessions from lessors	299	76
Gain on disposal of property and equipment	65	142
	<u>187,315</u>	<u>583,373</u>
Total	<u>618,069</u>	<u>899,494</u>

<sup>#</sup> Government grants mainly represented incentives received for investments in certain regions in Mainland China in which the Company's subsidiaries operate as well as additional value-added tax deductibles and other tax benefits.

## 5. PROFIT/(LOSS) BEFORE TAX

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

	<i>Note</i>	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
Cost of goods sold*		<b>18,814,630</b>	14,645,711
Cost of services provided* (excluding employee benefit expenses)		<b>2,031,341</b>	1,723,443
Depreciation of property and equipment		<b>9,514</b>	9,978
Depreciation of right-of-use assets		<b>36,692</b>	38,693
Amortization of intangible assets		<b>17,513</b>	11,905
Lease payments not included in the measurement of lease liabilities		<b>1,126</b>	878
Impairment losses of financial assets**			
Impairment of trade receivables	9	<b>1,824</b>	132
Impairment of other receivables		<b>11,518</b>	—
		<b>13,342</b>	132
Impairment of inventories*		<b>159,591</b>	48,328
Impairment of investment of a joint venture**		—	1,357
Fair value loss on contingent consideration included in other payables and accruals**		<b>19,811</b>	2,782
Loss on revision of leases terms arising from changes in the non-cancellable periods of leases**		<b>3,167</b>	—
Loss on deregistration of subsidiaries**		<b>1,308</b>	—
Auditor's remuneration		<b>3,980</b>	3,470
Employee benefit expense (including directors' and chief executive's remuneration)			
Wages and salaries		<b>658,918</b>	677,005
Bonuses		<b>202,085</b>	166,970
Pension scheme contributions#		<b>53,151</b>	51,171
Share-based compensation expenses		<b>308,890</b>	408,098
		<b>1,223,044</b>	1,303,244

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

\*\* These items are included in "Other expenses and losses" in the consolidated statement of profit or loss.

# There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

## 6. INCOME TAX

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current — Hong Kong		
Charge for the year	704	118
Underprovision in prior years	65	—
Current — Mainland China		
Charge for the year	29,225	34,406
Underprovision in prior years	1,201	—
Deferred	<u>(14,464)</u>	<u>(21,097)</u>
Total tax charge for the year	<u>16,731</u>	<u>13,427</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

In Mainland China, the companies are subject to the PRC corporate income tax rate of 25%, except for two (2022: two) PRC subsidiaries which are entitled to a preferential tax rate of 15% because they are accredited as High and New Technology Enterprises.

No tax attributable to joint ventures was included in “Share of profits or losses of joint ventures” in the consolidated statement of profit or loss (2022: Nil).

The share of tax charge attributable to associates of approximately RMB4,695,000 (2022: RMB5,590,000) is included in “Share of profits/(losses) of associates” in the consolidated statement of profit or loss.

## 7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share (2022: loss per share) amount is based on the profit for the year attributable to owners of the parent of RMB533,407,000 (2022: loss of RMB265,555,000), and the weighted average number of ordinary shares of 13,503,050,886 in issue during the year (2022: 13,482,634,084).

No adjustment has been made to the basic loss per share amount presented for the year ended March 31, 2022 in respect of a dilution as the impact of share options and RSUs outstanding had an anti-dilutive effect on the basic loss per share amount presented.

The calculation of the diluted earnings per share amount for the year ended March 31, 2023 is based on the profit for the year ended March 31, 2023 attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year ended March 31, 2023, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

**7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)**

The calculations of basic and diluted earnings/(loss) per share are based on:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Earnings/(loss)</b>		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	<u><b>533,407</b></u>	<u>(265,555)</u>
	<b>Number of shares</b>	
	<b>2023</b>	2022
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	<b>13,503,050,886</b>	13,482,634,084
Effect of dilution — weighted average number of ordinary shares:		
Share options	<b>665,770</b>	—
Restricted share units	<u><b>37,862,990</b></u>	<u>—</u>
	<u><b>13,541,579,646</b></u>	<u>13,482,634,084</u>

**8. DIVIDENDS**

The board does not recommend the payment of dividend for the year ended March 31, 2023 (2022: Nil).

**9. TRADE AND BILLS RECEIVABLES**

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Trade receivables	<b>606,627</b>	528,420
Impairment	<u><b>(28,544)</b></u>	<u>(26,720)</u>
	<b>578,083</b>	501,700
Bills receivable	<u><b>704</b></u>	<u>14,285</u>
	<u><b>578,787</b></u>	<u>515,985</u>

The Group's trading terms with some of its customers are on credit. The Group provides a credit period of 30 days to 90 days. Trade receivables are settled in accordance with the terms of the respective contracts. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In the view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

## 9. TRADE AND BILLS RECEIVABLES (CONTINUED)

Included in the Group's trade and bills receivables are amounts due from subsidiaries of Alibaba Group of approximately RMB192,106,000 (2022: RMB62,165,000) and the Group's associates of approximately RMB267,000 (2022: RMB77,000), which are repayable on credit terms mutually agreed by the parties involved.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the date of products received by or services rendered to customers and net of impairment, is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 3 months	465,694	398,206
4 to 12 months	98,626	101,519
Over 1 year	13,763	1,975
	<u>578,083</u>	<u>501,700</u>

The movements in the provision for impairment of trade receivables are as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
At April 1	26,720	26,588
Impairment	1,824	132
	<u>28,544</u>	<u>26,720</u>

## 10. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the date of products received by the Group, is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 3 months	3,000,935	2,110,566
4 to 12 months	624,112	1,236,627
Over 12 months	89,000	181,404
	<u>3,714,047</u>	<u>3,528,597</u>

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

Included in the Group's trade payables are amounts due to subsidiaries of Alibaba Group of approximately RMB843,047,000 (2022: RMB1,492,580,000), which are repayable on credit terms mutually agreed by the parties involved.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company strives to attain and maintain high standards of corporate governance continuously 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 (“**Code Provision(s)**”) set out in the Corporate Governance Code (the “**CG Code**”) under Appendix 14 to the Listing Rules, except in respect of the following matters:

According to Code Provision C.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 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 its 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 the 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 D.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 its own code for securities transactions by the (i) Directors; and (ii) certain officers and employees of the Company or its subsidiaries that are considered to be likely in possession of unpublished inside information in relation to the Company or its securities, on terms not less exacting than those in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules.

In response to specific enquiries made by the Company to all Directors, including the existing Directors and the former Director, Mr. Li Faguang who had been Directors during the Reporting Period, all Directors have confirmed that they have complied with the Model Code and the Company’s code for securities transactions throughout the Reporting Period.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities, except that in October 2022, a trustee of the Share Award Scheme purchased a total of 25,258,000 shares of the Company on the market for a total consideration of HK\$90,000,000 (equivalent to RMB81,582,000), to satisfy the share awards granted under the Share Award Scheme to the non-connected employees of the Company upon vesting.

## **AUDIT COMMITTEE REVIEW**

The Group’s annual results for the Reporting Period have been reviewed by the Audit Committee. The Audit Committee has also discussed auditing, internal control and financial reporting matters including the review of accounting practices and principles adopted by the Group.

## **SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY RESULTS ANNOUNCEMENT**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the Reporting Period as set out in the preliminary results announcement have been agreed by the Group’s auditors, Ernst & Young, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary results announcement.

## **PUBLICATION OF PRELIMINARY RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.irasia.com/listco/hk/alihealth](http://www.irasia.com/listco/hk/alihealth)). The annual report for the Reporting Period containing the information as required by Appendix 16 to the Listing Rules will be dispatched to the Shareholders and available on the above websites in due course.

For and on behalf of the Board  
**Alibaba Health Information Technology Limited**  
**Zhu Shunyan**  
*Chairman and Chief Executive Officer*

Hong Kong, May 23, 2023

*As at the date of this announcement, the Board comprises Mr. Zhu Shunyan, Mr. Shen Difan and Mr. Tu Yanwu as the executive Directors; Ms. Huang Jiaojiao as the non-executive Director; and Mr. Luo Tong, Mr. Wong King On, Samuel and Ms. Huang Yi Fei (Vanessa) as the independent non-executive Directors.*

<sup>^</sup> *For identification purposes only*