

FISCAL YEAR

2024

INTERIM REPORT



Alibaba Health Information  
Technology Limited

Incorporated in Bermuda with limited liability | Stock code: 00241



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# CORPORATE INFORMATION

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## BOARD OF DIRECTORS

### Executive Directors

Mr. ZHU Shunyan (*Chairman*) (*former Chief Executive Officer and resigned as the Chief Executive Officer with effect from the close of business on November 28, 2023*)

Mr. SHEN Difan (*Chief Executive Officer*) (*appointed as the Chief Executive Officer with effect from the close of business on November 28, 2023*)

Mr. TU Yanwu

### Non-executive Directors

Mr. LI Faguang (*resigned on May 15, 2023*)

Ms. HUANG Jiaojiao (*appointed on May 15, 2023*)

Mr. XU Haipeng (*appointed on October 19, 2023*)

### Independent Non-executive Directors

Mr. LUO Tong (*retired on August 11, 2023*)

Mr. WONG King On, Samuel  
(*retired on August 11, 2023*)

Ms. HUANG Yi Fei (Vanessa)

Dr. SHAO Rong (*appointed on August 11, 2023*)

Ms. WU May Yihong  
(*appointed on August 11, 2023*)

### Audit Committee

Ms. WU May Yihong (*Chairman*)  
(*appointed on August 11, 2023*)

Mr. WONG King On, Samuel (*Chairman*)  
(*retired on August 11, 2023*)

Mr. LUO Tong (*retired on August 11, 2023*)

Ms. HUANG Yi Fei (Vanessa)

Dr. SHAO Rong (*appointed on August 11, 2023*)

### Remuneration Committee

Ms. HUANG Yi Fei (Vanessa) (*Chairman*)

Mr. LI Faguang (*resigned on May 15, 2023*)

Ms. HUANG Jiaojiao (*appointed on May 15, 2023*)

Mr. WONG King On, Samuel  
(*retired on August 11, 2023*)

Ms. WU May Yihong  
(*appointed on August 11, 2023*)

### Nomination Committee

Mr. ZHU Shunyan (*Chairman*)

Mr. LUO Tong (*retired on August 11, 2023*)

Mr. WONG King On, Samuel  
(*retired on August 11, 2023*)

Dr. SHAO Rong (*appointed on August 11, 2023*)

Ms. WU May Yihong  
(*appointed on August 11, 2023*)

## AUTHORIZED REPRESENTATIVES

Mr. SHEN Difan (*appointed with effect from the close of business on November 28, 2023*)

Mr. ZHU Shunyan (*resigned with effect from the close of business on November 28, 2023*)

Ms. CHUN Ka Yan (*resigned on August 12, 2023*)

Ms. TSUI Hiu Leong  
(*appointed on August 12, 2023*)

## COMPANY SECRETARIES

Ms. CHUN Ka Yan (*resigned on August 12, 2023*)

Ms. TSUI Hiu Leong  
(*appointed on August 12, 2023*)

Ms. DENG Yan (*appointed on August 12, 2023*)

## LEGAL ADVISOR

Fangda Partners

# CORPORATE INFORMATION

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## **AUDITOR**

Ernst & Young  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*

## **REGISTERED OFFICE**

Victoria Place  
5th Floor  
31 Victoria Street  
Hamilton HM 10  
Bermuda

## **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

26/F, Tower One  
Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

## **PRINCIPAL PLACE OF BUSINESS IN PRC**

65/F, CITIC Tower  
Building 1, No.10 Courtyard, Guanghua Road  
Jianwai Subdistrict, Chaoyang District  
Beijing

## **PRINCIPAL SHARE REGISTRAR (IN BERMUDA)**

Ocorian Management (Bermuda) Ltd.  
Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

## **BRANCH SHARE REGISTRAR (IN HONG KONG)**

Tricor Secretaries Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
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**

<http://www.irasia.com/listco/hk/alihealth/>

# MANAGEMENT DISCUSSION AND ANALYSIS

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## BUSINESS REVIEW

During the six months ended September 30, 2023 (the “**Reporting Period**”), the Chinese government rolled out a series of supporting policies and further clarified and standardized its regulations and rules for the Internet healthcare industry. In June 2023, the National Medical Products Administration (國家藥品監督管理局) (“**NMPA**”) issued the “Notice on Regulating the Display of Online Sale Information of Prescription Drugs”<sup>^</sup> (關於規範處方藥網絡銷售信息展示的通知), which sets out detailed requirements for displaying information about prescription drugs on online drugs sale platforms/websites (including apps). In this regard, Alibaba Health has been proactively pursuing regulatory compliance and stringently performing its main responsibilities. In July 2023, the General Office of the State Council pushed forward with the “Measures for Restoring and Expanding Consumption”<sup>^</sup> (關於恢復和擴大消費的措施) recommended by the National Development and Reform Commission, which clearly indicated the need to boost consumption on healthcare services and development of “Internet + Healthcare”. By incorporating eligible “Internet +” healthcare services into the coverage of medical insurance, this initiative will further improve the fee-charging policy of medical diagnosis and treatment. In August 2023, the Public Security Department of Zhejiang Province issued the “Management Measures for Authorised Operation of Public Data of Zhejiang Province (Trial)”<sup>^</sup> (浙江省公共數據授權運營管理辦法(試行)), which proposes measures to support the development and application of key livelihood areas such as medical and healthcare, thus providing favourable policy support for the innovation and development of the Group’s healthcare large language model business. In October 2023, the NMPA organised and formulated the “Guidelines for On-site Inspection of Commissioned Production of Marketing Authorisation Holders”<sup>^</sup> (藥品上市許可持有人委託生產現場檢查指南), which aims to strengthen the supervision and inspection of the quality management across the entire production process and life cycle of the pharmaceutical products of marketing authorisation holders. In the wake of on-going optimization of policy regimes, Alibaba Health’s responsibility as the leading player has become clearer. Alibaba Health will strive to align itself with national policies and fulfill its responsibilities, with the commitment to create long-term values for its customers. For the six months ended September 30, 2023, steady growth was maintained across all business segments.

During the Reporting Period, the total revenue of the Group stood at RMB12,956.0 million, representing a growth of 12.7% over the six months ended September 30, 2022 (the “**Corresponding Period**”). As at September 30, 2023, Tmall Healthcare Platform boasted its service offerings of over 64.0 million stock keeping units (“**SKUs**”), serving more than 32,000 merchants and recording a continuous uptake in yearly purchase frequency and spending on healthcare products per capita. Registering a revenue of RMB11,446.7 million, the pharmaceutical direct sales business of Alibaba Health observed a year-on-year growth of 13.5%. As of September 30, 2023, the number of members of the Group’s direct online stores increased by 21.0% year-on-year to 77.0 million. In connection with healthcare services, over 210,000 licensed physicians, pharmacists and nutritionists contracted with the Group as at the end of the Reporting Period to provide online health consultation services, which represented an increase of nearly 30,000 professionals (including those from Xiaolu TCM) compared with the figure as at the end of the Corresponding Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

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As the flagship healthcare platform of Alibaba Group Holding Limited (“**Alibaba Holding**”, together with its subsidiaries, “**Alibaba Group**”), the Group stays true to its aspiration in making healthcare services accessible and affordable while adhering to the industry’s high standards of compliance and quality control. With this in mind, the Group will continue to consolidate and strengthen its existing competitive strengths and business foundations in healthcare, while at the same time preparing for the future by exploring innovative business models and fostering the development of its business segments to align with the evolving needs of its customers. Capitalizing on its leading digital technology and digital operation capabilities that are built on “cloud-based infrastructure”, centered around “cloud-based pharmacy” and driven by “cloud-based hospital”, the Group seeks 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 Alibaba Health makes full use of its strong brand and resources accumulated over the years. Building on its strengths in e-commerce, big data and cloud computing, Alibaba Health actively expands its partnerships with global pharmaceutical companies, nutritional and healthcare product manufacturers and distributors through a synergistic operation model that integrates its pharmaceutical direct sales business, the Tmall Healthcare Platform and its new retail business. The Group is committed to providing quality and affordable healthcare solutions to users in needs.

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

In light of mounting consumer demand for self-health management in the post-pandemic era, there has been a progressive paradigm shift from “passive treatment” to “proactive health management”, and shaping a health management concept that combines a prevention-oriented approach with treatment. As the leading healthcare consumption portal in China, Tmall Healthcare Platform maintains close ties with industry partners and grows together with merchants in response to consumer demands. During the Reporting Period, the platform further diversified its supply of non-pharmaceutical categories and observed an ongoing proliferation of merchants and SKUs. As at the end of the Reporting Period, the number of merchants served by the Group’s Tmall Healthcare Platform increased by more than 4,000 to over 32,000 when compared with the figure as at September 30, 2022. The number of SKUs of its service offerings reached over 64.0 million, representing a rapid growth of over 16.0 million SKUs as compared to the Corresponding Period. Regarding the home devices categories, Tmall Healthcare Platform joined hands with the China Primary Health Care Foundation, Sinocare and Alibaba Health Philanthropy to launch the “Finger-Prick-Free Campaign”^ (不扎手指行動), which aimed to raise public awareness on the blood glucose level of diabetic patients at work through three initiatives: a 150-day blood glucose monitoring campaign; free trials of continuous glucose monitors; and specialist consultations on the blood glucose level. As for healthcare products,

# MANAGEMENT DISCUSSION AND ANALYSIS

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Tmall Healthcare Platform jointly launched the “Secure and Reliable Selection on Tmall Platform”<sup>^</sup> (天貓安心甄選放心平台) with the Zhejiang Academy of Science & Technology for Inspection and Quarantine and the Healthy China Promotion Committee of the China Federation of Radio and Television Associations to recommend healthcare supplements that are approved by authoritative central laboratories, better suit the body features of Chinese and help consumers improve their health. In respect of nutritional categories, Tmall Healthcare Platform, together with long-established brands such as Dong-E-E-Jiao, kicked off a rebranding project to revamp the supply side and drive enhancements in consumption trends. The platform also actively facilitated the further upgrade of the business model of traditional Chinese medicine (“TCM”), including the establishment of the first online traditional Tibetan medicine clinic, which marked a key step forward in the development of online ethnomedicine.

- ***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 and Ele.me with comprehensive and affordable healthcare services, including prescription drugs, over-the-counter drugs, nutritional supplements, medical devices and contact lenses. Leveraging the Group’s competitive edge in operation and brand recognition, as well as the high execution efficiency of its workforce, revenue of the pharmaceutical direct sales business increased by 13.5% year-on-year to RMB11,446.7 million during the Reporting Period. As at September 30, 2023, the number of members in the Group’s direct online stores reached 77.0 million, representing a year-on-year growth of 21.0%.

During the Reporting Period, we continued to deepen strategic cooperation with global pharmaceutical companies in exploring the long-term value of digital health. Partnering with AstraZeneca to initiate an education and rehabilitation platform for cardiovascular diseases, we provided tailor-made and innovative digital health management services for patients and thereby improving their medication adherence. Through a comprehensive strategic collaboration with Daiichi Sankyo in fields such as rheumatology and orthopedic surgery, we studied the scientific management of patients’ post-treatment home-based scenario with the use of Alibaba Health’s digital technology and digital operation capabilities, in a bid to improve the quality of life and health of Chinese patients. During the Reporting Period, “Health Care Centres”<sup>^</sup> (健康關愛中心), which took care of 20 major diseases such as tumors, liver diseases and gout, continued to provide patients with one-stop services ranging from digitalized healthcare education, prevention and consultation to drug purchase and health management. In terms of warehousing and logistics, the Group further enhanced its service fulfilment capabilities. As at the end of the Reporting Period, Alibaba Health implemented a value-added service of home delivery with environmentally-friendly boxes in five cities, namely Hangzhou, Shanghai, Suzhou, Wuxi and Changzhou.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## Healthcare and Digital Services Business

The Group continued to enhance user experience of its healthcare services during the Reporting Period, providing seamless online-to-offline healthcare services (including, among others, TCM, medical checkups, testing, medical consultation, appointment-making, vaccination, dental care, mental care, optometry and nursing) to end users from various channels, such as Tmall, Taobao, Alipay, “Dr. Deer” APP, AMap, DingTalk and Quark. As at September 30, 2023, more than 210,000 licensed physicians, pharmacists and nutritionists contracted with the Group to provide online health consultation, which represented an increase of over 30,000 professionals (including those from Xiaolu TCM) compared with the figure as at the end of the Corresponding Period. During the Reporting Period, revenue generated from the healthcare and digital services business amounted to RMB488.1 million, representing an increase of 16.4% as compared to the Corresponding Period.

- **Healthcare Services**

Alibaba Health has established a network of Internet hospitals. Through digital operation, the Group has launched a wide range of offerings, including online consultation, prescription refill, discounted medication, targeted education, precise follow-up visits, companion support and after-sales support services, for chronic disease patients. In order to pave the way for a new service portal for chronic disease patients, physicians and pharmaceutical companies, the Internet hospitals within the Group’s network have extended their competencies in digital patient management to cover 20 core disease areas including hepatitis B, respiratory system, men’s health and chronic gastritis as at the end of the Reporting Period. Additionally, they have also formed cooperations with 40 well-known domestic and foreign pharmaceutical companies, such as Chugai Pharma China Co., Ltd (日健中外製藥有限公司).

In terms of the TCM services, Xiaolu TCM continues to adhere to the concept of “Providing Better TCM Services for Healthier Life” and devotes itself to developing a comprehensive TCM service platform featuring “Smart triage, online consultation and offline diagnosis”. Through digitalization, it continues to lead and promote innovation and development in the TCM industry. During the Reporting Period, the service scenarios of Xiaolu TCM gradually progressed from online consultation to “online + offline” integration. In order to meet the demand for face-to-face diagnosis between doctors and patients, over 500 clinics across China have been contracted by the “Xiaolu Doctor Workshops”^ (小鹿醫生工作室). As at the end of the Reporting Period, Xiaolu TCM had over 110,000 registered TCM practitioners and achieved further improvement in its drug service network, with 100 dispensing centers covering 26 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. In terms of its drug tracking services, the “Ma Shang Fang Xin” platform has further advanced its whole-value-chain coverage over drug production, distribution, retail-end pharmacies and healthcare institutions as China deepens the implementation of its drug tracking policy for key drug varieties across the entire chain, including Botox. In addition to fundamental tracking service, as

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at September 30, 2023, the “Ma Shang Fang Xin” platform has formed cooperations with more than 400 top pharmaceutical companies to provide them with services such as education on doctor-patient relationship and digital marketing. Moreover, more than 100 leading pharmaceutical companies partnered with the platform on the theme of tracking codes to explore in-depth advancement in various areas, including digitalized supply chain and smart distribution channel management. While maintaining the focus on pharmaceuticals, the “Ma Shang Fang Xin” platform continued to expand its presence in the fields of various healthcare goods such as medical devices, TCM supplements, agricultural products and imported goods.

## Public Service

In order to fully implement the “Action Plan to Accelerate the Elimination of Cervical Cancer (2022-2030)”^ (加速消除宮頸癌行動計劃(2022-2030年)) and promote corresponding preventive measures, Alibaba Health joined hands with different organizations and units ranging from Alibaba Foundation and the China Women’s Development Foundation to the Women’s Federation, Education Bureau and Health Bureau of Leishan County to launch the “Public Services for Early Protection against Cervical Cancer”^ (保護宮頸癌在第一時公益行動), which subsidized vaccination as an early protection for girls of suitable ages from underprivileged families. Additionally, the “Xiao Lu Lantern”^ (小鹿燈) Children’s Serious Disease Relief Platform has also made rapid progress, where it held 70 free medical consultation sessions covering over 870 towns in 57 counties across 16 provinces as at September 30, 2023, involving over 390 doctors and project personnel from 113 medical institutions. A total of more than 22,400 children received the screening services.

In collaboration with Ling Feng Foundation and China Association of Rehabilitation of Disabled Persons, Alibaba Health and Alibaba Foundation built 20 “Aidou Rehabilitation Homes”^ (愛豆康復健康小屋) in Hebei Province during the Reporting Period, providing senior guardians of the villages who suffered from chronic diseases with health management and rehabilitation services under the “Four Ones”^ (四個一) system. Moreover, in view of the prevalence of cardiovascular diseases among the elderly, Alibaba Health worked with Alibaba Foundation to construct a regional “Cardiac Network”^ (心電一張網) based on county-level hospitals. Equipped with smart hardware, cloud-based platform and artificial intelligence (AI), the network enabled information sharing between counties and towns to offer remote diagnosis to patients with cardiovascular diseases. As at the end of the Reporting Period, the initiative achieved county-wide implementation across 13 towns in Fuping County, Baoding Prefecture, Hebei Province, and 17 towns in Xunwu County, Ganzhou Prefecture, Jiangxi Province. Furthermore, as a ray of hope for elderly people with poor eyesight or difficulties in understanding drug descriptions that might lead to safety concerns on drug usage, Alibaba Health and Alibaba Foundation, which leveraged their digital advantages, teamed up to perform elderly-oriented transformation for more than 9,000 NMPA-approved drugs, making enlarged textual descriptions and audio descriptions available when scanning the tracking codes of the drugs. Such concerted efforts are of great significance for improving medication safety among elderly and visually-impaired populations.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## Future Prospects

Taking pride in its leadership in the “Internet + Healthcare” industry, Alibaba Health places user value as its priority at all times. It actively utilizes the capabilities and service experiences accumulated in the fields of Internet and other technological innovations over the years to empower the strategy of “cloud-based pharmacy”, “cloud-based hospital” and “cloud-based infrastructure”, striving to deliver quality and efficient healthcare services to more users.

Regarding “cloud-based pharmacy”, the Group will continue to rely on a synergetic operation model that integrates its pharmaceutical direct sales business, the Tmall Healthcare Platform and a new retail business to leverage its digital capabilities and gather consumer insights in collaboration with brands and merchants, thereby revitalizing the healthcare sector for new momentum. In terms of “cloud-based hospital”, the Group will, based on its profound insight into the Internet healthcare industry, explore scenarios and innovative models of healthcare services so as to provide patients with all-embracing services. As for “cloud-based infrastructure”, we will conduct research on the AI large language model for verticals in the medical field under the guidance of regulators, with an aim of revamping products and service features to be applied in healthcare services for consumers with next-generation information technology.

Going forward, Alibaba Health will take the initiative to keep abreast of the latest policy developments and uphold the high-quality development vision of “becoming a digital health management company serving 500 million people within five years” with a consistent focus on “putting life first”. By tapping into the enormous market of self-health management through the Internet and digital technologies, the Group will take a momentous step towards realizing its mission to make healthcare services accessible.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

The key financial data of the Group for the six months ended September 30, 2023 and September 30, 2022 is summarized as follows:

	Six months ended September 30,		Change %
	2023 RMB'000	2022 RMB'000 (Restated)	
Revenue	12,956,000	11,500,569	12.7
Gross profit	2,868,668	2,300,656	24.7
Gross profit margin	22.1%	20.0%	N/A
Fulfillment	(1,248,808)	(974,491)	28.1
Selling and marketing expenses	(869,376)	(858,890)	1.2
Administrative expenses	(169,531)	(173,338)	-2.2
Product development expenses	(319,314)	(323,986)	-1.4
Other income and gains	336,078	263,047	27.8
Share of profits of joint ventures	1,588	19,952	-92.0
Share of losses of associates	(9,779)	(19,567)	-50.0
<b>Profit for the period</b>	<b>445,143</b>	163,509	172.2
<b>NON-HKFRS ADJUSTMENTS</b>			
Adjusted net profit	642,473	351,587	82.7

### – Revenue

Revenue of the Group for the Reporting Period amounted to RMB12,956,000,000, representing an increase of RMB1,455,431,000 or 12.7%, compared with RMB11,500,569,000 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 comprises the direct business-to-customer (“**B2C**”) retail, related advertisement business and the business-to-business centralized procurement and distribution business. During the Reporting Period, the overall revenue from pharmaceutical direct sales business reached RMB11,446,663,000, representing an increase of 13.5% year-on-year. The growth in revenue from the direct sales business was mainly attributable to the constant enrichment of categories of goods sold through the direct B2C retail and SKUs, the increased sales volume of prescription drugs driven by in-depth cooperation with

# MANAGEMENT DISCUSSION AND ANALYSIS

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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 and contact lenses), and the provision of outsourced services to Tmall Healthcare Platform (in respect of categories other than those that have already been acquired) and new pharmaceutical retail business. During the Reporting Period, the total revenue of the above businesses amounted to RMB1,021,241,000, representing an increase of 2.1% year-on-year.

## – ***Healthcare and Digital Services Business***

The Group continued to enhance user experience of its professional healthcare services during the Reporting Period, providing seamless online-to-offline healthcare services (including, among others, TCM, medical checkups, testing, medical consultation, appointment-making, vaccination, dental care, mental care, optometry and nursing) to end users from various channels, such as Taobao, Tmall, Alipay, “Dr. Deer” APP, AMap, DingTalk and Quark. Digital services business includes tracking business. “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 RMB488,096,000 from the healthcare and digital services business, representing a growth of 16.4% year-on-year.

## – **Gross profit and gross profit margin**

The Group recorded a gross profit of RMB2,868,668,000 for the Reporting Period, representing an increase of RMB568,012,000 or 24.7% from RMB2,300,656,000 for the Corresponding Period. Gross profit margin for the Reporting Period was 22.1%, representing an increase of 2.1 percentage points comparing with the Corresponding Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## – Other income and gains

Other income and gains for the Reporting Period amounted to RMB336,078,000, which primarily comprised interest income and gain on investments incurred during the Reporting Period. The increase from RMB263,047,000 for the Corresponding Period was mainly due to the increase in gain on disposal of investments.

## – Fulfillment

Warehousing, logistics and customer service expenses, commissions on the Tmall Platforms, 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 RMB1,248,808,000, representing an increase of RMB274,317,000 from RMB974,491,000 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 1.2 percentage points to 10.9%, as compared with 9.7% for the Corresponding Period, mainly due to the strengthened supply chain management and rise in performance obligations. Through integrated management of costs and fulfillment costs, the Group recorded a rise in gross profit margin after fulfillment compared with the Corresponding Period.

## – Selling and marketing expenses

Selling and marketing expenses for the Reporting Period amounted to RMB869,376,000, representing an increase of RMB10,486,000 or 1.2% compared with RMB858,890,000 for the Corresponding Period. The selling and marketing expenses as a proportion of the Group's total revenue for the Reporting Period decreased to 6.7% from 7.5% as recorded for the Corresponding Period. The decrease was mainly attributable to the optimization of marketing and advertising strategies and the continuing effect of the economies of scale.

## – Administrative expenses

Administrative expenses for the Reporting Period amounted to RMB169,531,000, representing a decrease of RMB3,807,000 or 2.2% as compared with RMB173,338,000 for the Corresponding Period. Benefiting from cost controls and the continuing effect of the economies of scale, the administrative expenses as a proportion of the Group's total revenue for the Reporting Period decreased to 1.3% from 1.5% as recorded for the Corresponding Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## – Product development expenses

Product development expenses for the Reporting Period amounted to RMB319,314,000, representing a decrease of RMB4,672,000 or 1.4% as compared with RMB323,986,000 for the Corresponding Period. The product development expenses as a proportion of the Group's total revenue for the Reporting Period decreased to 2.5% from 2.8% as recorded 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 RMB1,588,000, as compared with RMB19,952,000 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 RMB9,779,000, representing a decrease of RMB9,788,000 as compared with the losses of RMB19,567,000 recorded for the Corresponding Period. Share of losses of associates for the Reporting Period was mainly attributable to the fact that some associates were still at the transformation or growing stage.

## – Non-Hong Kong Financial Reporting Standard indicator in relation to profit for the Reporting Period: Adjusted net profit

The Group's profit for the Reporting Period amounted to RMB445,143,000, as compared with the restated profit of RMB163,509,000 for the Corresponding Period. The Group's adjusted net profit for the Reporting Period amounted to RMB642,473,000, as compared with an adjusted net profit of RMB351,587,000 for the Corresponding Period. Adjusted net profit is based on the profit for the corresponding period after excluding non-operating profit or loss items such as share-based compensation, change in fair value of financial assets at FVPL (net of tax), gain on deemed disposal of associates (net of tax), and gain on partial disposal of an associate (net of tax). The adjusted net profit for the Reporting Period increased as compared with the Corresponding Period, 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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. 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 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 for the six months ended September 30, 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 for the period):

	<b>Six months ended September 30,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	<i>RMB'000</i> (Restated)
Profit for the period		
Excluding	<b>445,143</b>	163,509
– Share-based compensation	<b>155,207</b>	154,392
– Fair value loss on financial assets at FVPL, net of tax	<b>95,018</b>	33,686
– Gain on deemed disposal of associates, net of tax	<b>(18,066)</b>	–
– Gain on partial disposal of an associate, net of tax	<b>(34,829)</b>	–
Adjusted net profit	<b>642,473</b>	351,587

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

For the six months ended September 30, 2023, 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 September 30, 2023 and March 31, 2023, the Group's cash and cash equivalents amounted to RMB11,697,450,000 and RMB10,917,171,000, respectively.

Cash flows of the Group for the six months ended September 30, 2023 and September 30, 2022 were as follows:

	<b>Six months ended September 30,</b>	
	<b>2023 RMB'000</b>	2022 RMB'000
Net cash flows generated from operating activities	<b>910,177</b>	504,049
Net cash flows used in investing activities	<b>(979,406)</b>	(736,551)
Net cash flows used in financing activities	<b>(30,112)</b>	(16,010)
Net decrease in cash and cash equivalents	<b>(99,341)</b>	(248,512)
Cash and cash equivalents at the beginning of the period	<b>9,236,850</b>	9,341,427
Effects of exchange rate changes	<b>183,172</b>	309,910
Cash and cash equivalents at the end of the period as stated in the interim condensed consolidated statement of cash flows	<b>9,320,681</b>	9,402,825
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	<b>11,697,450</b>	11,255,033
<b>Non-pledged time deposits with original maturity over three months</b>	<b>(2,376,769)</b>	(1,852,208)
<b>Cash and cash equivalents at the end of period as stated in the interim condensed consolidated statement of cash flows</b>	<b>9,320,681</b>	9,402,825

# MANAGEMENT DISCUSSION AND ANALYSIS

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

For the Reporting Period, net cash flows generated from operating activities amounted to RMB910,177,000, primarily attributable to profit before tax of RMB481,271,000, as adjusted by: (i) non-cash or non-operating activities expense items, which primarily comprised the addition of share-based compensation expenses of RMB155,207,000, and the deduction of bank and other interest income of RMB204,309,000; (ii) changes in working capital, which primarily comprised a decrease in trade and bills payables of RMB255,260,000, a decrease in prepayments, other receivables of RMB116,795,000, an increase in other payables and accruals of RMB30,029,000, a decrease in inventories of RMB403,261,000; and (iii) addition of interest received of RMB172,264,000.

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

For the Reporting Period, net cash flows used in investing activities amounted to RMB979,406,000, which was primarily attributable to the increase of the time deposits with original maturity of over three months of RMB564,966,000, net cash used in the purchase of financial assets at FVPL of RMB403,660,000 during the Reporting Period.

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

For the Reporting Period, net cash flows used in financing activities was RMB30,112,000, which was primarily attributable to the principal portion of lease payments of RMB16,696,000 and the payment of RMB13,587,000 for repurchase of shares.

## **Gearing ratio**

As at September 30, 2023, the Group did not have any borrowings, and hence no gearing ratio was shown.

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

As at September 30, 2023, the Group did not have any material contingent liabilities and had not pledged any Group assets for bank loans or 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 its assets, liabilities and other commitments can meet the Group's funding requirements from time to time.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## 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 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 September 30, 2023 was 1,547 (March 31, 2023: 1,560). Total staff costs of the Group for the Reporting Period amounted to RMB572.6 million (for the six months ended September 30, 2022: RMB630.3 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 continuously provides tailored trainings to its employees.

The Group also adopted the share award scheme (the "**Share Award Scheme**") as approved by the shareholders of the Company on November 24, 2014 and amended on August 11, 2023. Pursuant to the Share Award Scheme, the Board may grant awards in the form of restricted share units or share options to eligible participants, including the Directors, the directors of the Company's subsidiaries, the employees of the Group or any other persons 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

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 September 30, 2023, the Company's short-term investment at FVPL amounted to approximately RMB408.4 million (balance as at March 31, 2023: 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## INTERIM DIVIDEND

The Board has resolved that no interim dividend be declared for the six months ended September 30, 2023 (for the six months ended September 30, 2022: Nil).

# CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

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## DIRECTORS

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

### Executive Directors:

Mr. ZHU Shunyan (Chairman) (former Chief Executive Officer and resigned as the Chief Executive Officer with effect from the close of business on November 28, 2023)

Mr. SHEN Difan (Chief Executive Officer) (appointed as the Chief Executive Officer with effect from the close of business on November 28, 2023)

Mr. TU Yanwu

### Non-executive Directors:

Mr. LI Faguang (resigned on May 15, 2023)

Ms. HUANG Jiaojiao (appointed on May 15, 2023)

Mr. XU Haipeng (appointed on October 19, 2023)

### Independent Non-executive Directors:

Mr. LUO Tong (retired on August 11, 2023)

Mr. WONG King On, Samuel (retired on August 11, 2023)

Ms. HUANG Yi Fei (Vanessa)

Dr. SHAO Rong (appointed on August 11, 2023)

Ms. WU May Yihong (appointed on August 11, 2023)

## CHANGES IN INFORMATION IN RESPECT OF DIRECTORS

The changes in information of the Directors and chief executive pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) since the date of the Company’s 2023 annual report, up to the date of this report are set out below:

On May 15, 2023, Mr. LI Faguang ceased to serve as a non-executive Director and a member of the remuneration committee of the Company (the “**Remuneration Committee**”). On the same date, Ms. HUANG Jiaojiao was appointed and has taken over the above duties. For details, please refer to the announcement of the Company dated May 15, 2023.

On August 11, 2023, Mr. LUO Tong ceased to serve as an independent non-executive Director, a member of each of the audit committee (the “**Audit Committee**”) and the nomination committee of the Company (the “**Nomination Committee**”); and Mr. WONG King On, Samuel ceased to serve as an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee. On the same date, Dr. SHAO Rong was appointed as an independent non-executive Director and a member of each of the Audit Committee and the Nomination Committee; and Ms. WU May Yihong was appointed as an independent

# CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

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non-executive Director, the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee. For details, please refer to the announcement of the Company dated August 11, 2023.

On October 19, 2023, Mr. XU Haipeng has been appointed as a non-executive Director. For details, please refer to the announcement of the Company dated October 19, 2023.

With effect from the close of business on November 28, 2023, (i) Mr. ZHU Shunyan ceased to serve as the chief executive officer of the Company (the “**Chief Executive Officer**”) and one of the authorized representatives of the Company under the Listing Rules (the “**Authorized Representative(s)**”); and (ii) Mr. SHEN Difan has been appointed as the Chief Executive Officer and one of the Authorized Representatives. For details, please refer to the announcement of the Company dated November 28, 2023.

Save as disclosed above, there were no other changes in information in respect of Directors and chief executive which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## 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. The minimum period for which the options must be held before it can be exercised shall be no less than one year from the date of its respective grant.

To bring the Share Award Scheme in line with the Listing Rules Share Scheme Amendments which came into effect on January 1, 2023, the Board proposed to amend the rules of the Share Award Scheme and make other consequential and housekeeping changes. Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on August 11, 2023 (the “**New Approval Date**”), the Company approved to amend the rules of the Share Award Scheme. 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 that may be issued in respect of the Share Awards granted under the Share Award Scheme and any other share schemes of the Company (the “**Scheme Mandate Limit**”) shall not exceed 10% of the shares in issue as at the New Approval Date, or 10% of the shares in issue as at the date of approving the refreshed Scheme Mandate Limit. The total number of shares that may be issued in respect of the Share Awards granted to any person who provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business that are beneficial to the long-term development of the Group

# CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

(the “**Service Providers**”) under the Share Award Scheme and any other share schemes of the Company (the “**Service Provider Sublimit**”) shall not exceed 1% of the shares in issue as at the New Approval Date, or 1% of the shares in issue as at the date of approving the refreshed Service Provider Sublimit.

As at April 1, 2023, Share Awards in respect of a total of 399,112,399 underlying shares, which represent approximately 2.95% of the Company’s total issued shares as at April 1, 2023, remain available to be granted under the specific mandate granted at the annual general meeting of the Company held on August 5, 2022 to the Directors to exercise all the powers of the Company to grant Share Awards, which had lapsed at the conclusion of the annual general meeting held on the New Approval Date.

As at September 30, 2023, Share Awards in respect of a total of 1,347,159,007 and 135,332,785 underlying shares, which represent approximately 9.95% and 1% of the Company’s total issued shares as at September 30, 2023, remain available to be granted under the Scheme Mandate Limit and the Service Provider Sublimit, respectively.

The number of shares of the Company that may be issued in respect of the Options and RSUs granted under the Share Award Scheme during the Reporting Period divided by the weighted average number of the shares of the Company in issue for the Reporting Period is 0.46%.

Details of the options and RSUs granted during the Reporting Period and/or outstanding as at September 30, 2023 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, 2023	Date of grant/conditional grant	Granted during the period	Vesting period	Exercise period	Performance target	Purchase price (HK\$)	Exercise price (HK\$)	Options exercised during the period <sup>(4)</sup>	Options or RSUs lapsed during the period	Options or RSUs cancelled during the period	RSUs vested during the period <sup>(4)</sup>	Number of shares represented by options or RSUs outstanding as at	
														September 30, 2023	
Mr. ZHU Shunyan	Options	2,900,000	June 15, 2020	-	Within six years from June 15, 2020	Within ten years from June 15, 2020	None	Nil	19,940	-	-	-	-	2,900,000	
	Options	421,250	June 15, 2021	-	Within six years from June 15, 2021	Within ten years from June 15, 2021	None	Nil	18,212	-	-	-	-	421,250	
	Options	1,290,125	June 15, 2022	-	Within six years from June 15, 2022	Within ten years from June 15, 2022	None	Nil	4,920	-	-	-	-	1,290,125	
	Options	-	June 15, 2023 <sup>(1)(3)</sup>	1,381,250	Within six years from June 15, 2023	Within ten years from June 15, 2023	None	Nil	5,160	-	-	-	-	1,381,250	
	RSUs	250,000	June 15, 2020	-	Within six years from June 15, 2020	-	None	Nil	-	-	-	-	125,000	125,000	
	RSUs	126,375	June 15, 2021	-	Within six years from June 15, 2021	-	None	Nil	-	-	-	-	-	14,041	112,334
	RSUs	516,050	June 15, 2022	-	Within six years from June 15, 2022	-	None	Nil	-	-	-	-	-	86,009	430,041
	RSUs	-	June 15, 2023 <sup>(1)(3)</sup>	552,500	Within six years from June 15, 2023	-	None	Nil	-	-	-	-	-	-	552,500
Total	Options	4,611,375	-	1,381,250	-	-	-	-	-	-	-	-	-	5,992,625	
	RSUs	892,425	-	552,500	-	-	-	-	-	-	-	-	225,050	1,219,875	

# CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

Name of option holders/grantees of RSU	Nature	Number of shares represented by options or RSUs outstanding as at March 31, 2023	Date of grant/conditional grant	Granted during the period		Vesting period	Exercise period	Performance target	Purchase price (HK\$)	Exercise price (HK\$)	Options exercised during the period <sup>(4)</sup>	Options or RSUs lapsed during the period	Options or RSUs cancelled during the period	RSUs vested during the period <sup>(4)</sup>	Number of shares represented by options or RSUs outstanding as at September 30, 2023
Mr. SHEN Difan	Options	336,750	June 15, 2021	-	Within four years from June 15, 2021	Within ten years from June 15, 2021	None	Nil	18,212	-	-	-	-	-	336,750
	Options	1,062,750	June 15, 2022	-	Within four years from June 15, 2022	Within ten years from June 15, 2022	None	Nil	4,920	-	-	-	-	-	1,062,750
	Options	-	June 15, 2023 <sup>(1)(3)</sup>	1,302,750	Within four years from June 15, 2023	Within ten years from June 15, 2023	None	Nil	5,160	-	-	-	-	-	1,302,750
	RSUs	101,025	June 15, 2021	-	Within four years from June 15, 2021	-	None	Nil	-	-	-	-	-	33,675	67,350
	RSUs	425,100	June 15, 2022	-	Within four years from June 15, 2022	-	None	Nil	-	-	-	-	-	106,275	318,825
	RSUs	-	June 15, 2023 <sup>(1)(3)</sup>	521,100	Within four years from June 15, 2023	-	None	Nil	-	-	-	-	-	-	521,100
<b>Total</b>	<b>Options RSUs</b>	<b>1,399,500 526,125</b>	<b>- -</b>	<b>1,302,750 521,100</b>	<b>- -</b>	<b>- -</b>	<b>- -</b>	<b>- -</b>	<b>- -</b>	<b>- -</b>	<b>- -</b>	<b>- -</b>	<b>- -</b>	<b>- 139,950</b>	<b>2,702,250 907,275</b>
Mr. TU Yanwu	Options	145,000	June 15, 2020	-	Within four years from June 15, 2020	Within ten years from June 15, 2020	None	Nil	19,940	-	-	-	-	-	145,000
	Options	67,250	June 15, 2021	-	Within four years from June 15, 2021	Within ten years from June 15, 2021	None	Nil	18,212	-	-	-	-	-	67,250
	Options	283,250	June 15, 2022	-	Within four years from June 15, 2022	Within ten years from June 15, 2022	None	Nil	4,920	-	-	-	-	-	283,250
	Options	-	June 15, 2023 <sup>(1)(3)</sup>	255,750	Within four years from June 15, 2023	Within ten years from June 15, 2023	None	Nil	5,160	-	-	-	-	-	255,750
	RSUs	192,500	September 18, 2019	-	Within four years from September 18, 2019	-	None	Nil	-	-	-	-	-	192,500	-
	RSUs	29,000	June 15, 2020	-	Within four years from June 15, 2020	-	None	Nil	-	-	-	-	-	14,500	14,500
	RSUs	20,175	June 15, 2021	-	Within four years from June 15, 2021	-	None	Nil	-	-	-	-	-	6,725	13,450
	RSUs	113,300	June 15, 2022	-	Within four years from June 15, 2022	-	None	Nil	-	-	-	-	-	28,325	84,975
	RSUs	-	June 15, 2023 <sup>(1)(3)</sup>	102,300	Within four years from June 15, 2023	-	None	Nil	-	-	-	-	-	-	102,300
	<b>Total</b>	<b>Options RSUs</b>	<b>495,500 354,975</b>	<b>- -</b>	<b>255,750 102,300</b>	<b>- -</b>	<b>- -</b>	<b>- -</b>	<b>- -</b>	<b>- -</b>	<b>- -</b>	<b>- -</b>	<b>- -</b>	<b>- -</b>	<b>- 242,050</b>

# CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

Name of option holders/grantees of RSU	Nature	Number of shares represented by options or RSUs outstanding as at March 31, 2023	Date of grant/conditional grant	Granted during the period	Vesting period	Exercise period	Performance target	Purchase price (HK\$)	Exercise price (HK\$)	Options exercised during the period <sup>(4)</sup>	Options or RSUs lapsed during the period	Options or RSUs cancelled during the period	RSUs vested during the period <sup>(4)</sup>	Number of shares represented by options or RSUs outstanding as at September 30, 2023
Employees of the Group (including employees of the affiliates of the Group)	Options	508,000	September 7, 2015	-	From October 10, 2015 to October 10, 2019	Within ten years from September 7, 2015	None	Nil	5.184	-	-	-	-	508,000
	Options	152,000	April 28, 2016	-	From October 10, 2017 to April 30, 2020	Within ten years from April 28, 2016	None	Nil	5.320	-	-	-	-	152,000
	Options	1,746,500	July 29, 2016	-	From October 10, 2016 to July 31, 2020	Within ten years from July 29, 2016	None	Nil	5.558	-	85,000	-	-	1,661,500
	Options	592,500	February 2, 2017	-	From January 31, 2019 to January 31, 2021	Within ten years from February 2, 2017	None	Nil	3.626	-	-	-	-	592,500
	Options	798,750	August 3, 2017	-	From July 31, 2018 to July 31, 2021	Within ten years from August 3, 2017	None	Nil	3.686	50,000	-	-	-	748,750
	Options	162,000	October 10, 2017	-	From October 10, 2018 to October 10, 2021	Within ten years from October 10, 2017	None	Nil	4.400	-	-	-	-	162,000
	Options	518,000	February 1, 2018	-	From October 10, 2019 to January 31, 2022	Within ten years from February 1, 2018	None	Nil	4.144	-	-	-	-	518,000
	Options	1,466,750	June 15, 2020	-	Within four years from June 15, 2020	Within ten years from June 15, 2020	None	Nil	19.940	-	45,625	-	-	1,421,125
	Options	119,000	September 15, 2020	-	Within four years from September 15, 2020	Within ten years from September 15, 2020	None	Nil	18.660	-	-	-	-	119,000
	Options	838,000	June 15, 2021	-	Within four years from June 15, 2021	Within ten years from June 15, 2021	None	Nil	18.212	-	84,250	-	-	753,750
	Options	750,000	March 15, 2022	-	Within four years from March 15, 2022	Within ten years from March 15, 2022	None	Nil	4.240	-	-	-	-	750,000
	Options	4,495,125	June 15, 2022	-	Within four years from June 15, 2022	Within ten years from June 15, 2022	None	Nil	4.920	-	372,000	-	-	4,123,125
	Options	-	June 15, 2023 <sup>(1)(2)</sup>	4,473,250	Over one to four years from June 15, 2023	Within ten years from June 15, 2023	None	Nil	5.160	-	-	-	-	4,473,250
	Options	-	September 15, 2023 <sup>(2)(3)</sup>	2,527,500	Over one to four years from September 15, 2023	Within ten years from September 15, 2023	None	Nil	4.680	-	-	-	-	2,527,500
	RSUs	1,460,750	August 2, 2019	-	Within four years from August 2, 2019	-	None	Nil	-	-	-	-	-	1,460,750
RSUs	199,000	September 18, 2019	-	Within four years from September 18, 2019	-	None	Nil	-	-	-	-	-	199,000	-
RSUs	228,252	February 24, 2020	-	Within four years from February 24, 2020	-	None	Nil	-	-	-	-	-	48,252	180,000

# CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

Name of option holders/grantees of RSU	Nature	Number of shares represented by options or RSUs outstanding as at March 31, 2023	Date of grant/conditional grant	Granted during the period		Vesting period	Exercise period	Performance target	Purchase price (HK\$)	Exercise price (HK\$)	Options exercised during the period <sup>(4)</sup>	Options or RSUs lapsed during the period	Options or RSUs cancelled during the period	RSUs vested during the period <sup>(4)</sup>	Number of shares represented by options or RSUs outstanding as at September 30, 2023
	RSUs	271,681	March 16, 2020	-	Within four years from March 16, 2020	-	None	Nil	-	-	-	-	-	122,931	148,750
	RSUs	5,169,500	June 15, 2020	-	Within four years from June 15, 2020	-	None	Nil	-	-	258,750	-	-	2,542,000	2,368,750
	RSUs	1,503,774	September 15, 2020	-	Within four years from September 15, 2020	-	None	Nil	-	-	95,125	-	-	711,606	697,043
	RSUs	600,475	December 15, 2020	-	Within four years from December 15, 2020	-	None	Nil	-	-	18,000	-	-	10,000	572,475
	RSUs	509,500	March 15, 2021	-	Within four years from March 15, 2021	-	None	Nil	-	-	151,500	-	-	-	358,000
	RSUs	11,015,525	June 15, 2021	-	Within four years from June 15, 2021	-	None	Nil	-	-	708,100	-	-	3,862,625	6,444,800
	RSUs	6,313,043	September 15, 2021	-	Within four years from September 15, 2021	-	None	Nil	-	-	633,250	-	-	2,232,732	3,447,061
	RSUs	1,569,900	December 15, 2021	-	Within four years from December 15, 2021	-	None	Nil	-	-	101,000	-	-	241,450	1,227,450
	RSUs	2,009,000	March 15, 2022	-	Within four years from March 15, 2022	-	None	Nil	-	-	229,000	-	-	-	1,780,000
	RSUs	59,470,450	June 15, 2022	-	Within four years from June 15, 2022	-	None	Nil	-	-	5,198,016	-	-	14,446,799	39,825,635
	RSUs	5,064,550	September 15, 2022	-	Within one to four years from September 15, 2022	-	None	Nil	-	-	114,350	-	-	1,741,050	3,209,150
	RSUs	390,000	December 15, 2022	-	Within four years from December 15, 2022	-	None	Nil	-	-	75,000	-	-	-	315,000
	RSUs	360,000	March 15, 2023	-	Over one to four years from March 15, 2023	-	None	Nil	-	-	-	-	-	-	360,000
	RSUs	-	June 15, 2023 <sup>(1)(3)</sup>	46,895,900	Over one to four years from June 15, 2023	-	None	Nil	-	-	1,979,164	-	-	-	44,916,736
	RSUs	-	September 15, 2023 <sup>(2)(3)</sup>	3,641,347	Over one to four years from September 15, 2023	-	None	Nil	-	-	60,000	-	-	676,924	2,904,423
<b>Total</b>	<b>Options</b>	<b>12,146,625</b>	<b>-</b>	<b>7,000,750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,000</b>	<b>586,875</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,510,500</b>
	<b>RSUs</b>	<b>96,135,400</b>	<b>-</b>	<b>50,537,247</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,621,255</b>	<b>-</b>	<b>-</b>	<b>28,296,119</b>	<b>108,755,273</b>

# CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

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## Notes:

- (1) The closing price per share is HK\$4.88 as stated in the daily quotation sheets issued by the Stock Exchange on June 14, 2023, being the trading day immediately before the date of grant.
- (2) The closing price per share is HK\$4.68 as stated in the daily quotation sheets issued by the Stock Exchange on September 14, 2023, being the trading day immediately before the date of grant.
- (3) The weighted average fair value of the Options and RSUs at the date of grant on June 15, 2023 and September 15, 2023 during the Reporting Period was HK\$3.3345 per share and HK\$5.1262 per share, respectively, of which the methodology and assumptions used for calculation were disclosed in the note 16 (Share-based Compensation Costs) to the interim condensed consolidated financial information for the six months ended 30 September 2023.
- (4) The weighted average closing price of the shares immediately before the dates on which the Options were exercised and the RSUs were vested was HK\$5.58 and HK\$4.82, respectively.

## DIRECTORS AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section titled “Connected Transactions” of the Company’s annual report dated July 13, 2023 (the “**Annual Report**”) and except for any perceived material interest in transactions between members of Alibaba Group and the Company due to their role as employees of Alibaba Holding or its subsidiaries as disclosed in the section titled “Biographical Information of Directors and Senior Management” of the Annual Report, no Director or controlling Shareholder had a material interest, either directly or indirectly, in any contract of significance (whether for the provision of services to the Company or any of its subsidiaries or not) to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

# CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

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

As at September 30, 2023, 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	Beneficial owner and equity derivative interests <sup>(1)</sup>	8,510,696	0.06%#
Mr. SHEN Difan	Beneficial owner and equity derivative interests <sup>(2)</sup>	4,777,568	0.04%#
Mr. TU Yanwu	Beneficial owner and equity derivative interests <sup>(3)</sup>	1,701,678	0.01%#

#### Notes:

- (1) Mr. ZHU Shunyan beneficially held 1,298,196 ordinary shares of the Company and subject to vesting, he is interested in 7,212,500 shares underlying the 5,992,625 options and 1,219,875 RSUs granted to him in accordance with the Share Award Scheme.
- (2) Mr. SHEN Difan beneficially held 1,168,043 ordinary shares of the Company and subject to vesting, he is interested in 3,609,525 shares underlying the 2,702,250 options and 907,275 RSUs granted to him in accordance with the Share Award Scheme.
- (3) Mr. TU Yanwu beneficially held 735,203 ordinary shares of the Company and subject to vesting, he is interested in 966,475 shares underlying the 751,250 options and 215,225 RSUs granted to him in accordance with the Share Award Scheme.

# Based on a total of 13,533,328,542 shares of the Company in issue as at September 30, 2023.

# CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

## 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 <sup>(1)</sup>	2,881,768*	0.01%#
Mr. SHEN Difan	Beneficial owner, equity derivative interests and interests of spouse <sup>(2)</sup>	172,984*	0.00%#
Mr. TU Yanwu	Beneficial owner, equity derivative interests <sup>(3)</sup>	27,480*	0.00%#
Ms. HUANG Jiaojiao	Beneficial owner, equity derivative interests and interests of spouse <sup>(4)</sup>	253,928*	0.00%#
Mr. XU Haipeng	Beneficial owner, equity derivative interests <sup>(5)</sup>	85,305*	0.00%#

### Notes:

- (1) These interests represented 2,025,120\* ordinary shares or underlying ordinary shares and 696,648\* 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 67,624\* ordinary shares or underlying ordinary shares and 2,000\* restricted share units beneficially held by Mr. SHEN Difan and 103,360\* ordinary shares or underlying shares held by his spouse.
- (3) These interests represented 2,680\* ordinary shares or underlying ordinary shares and 24,800\* restricted share units beneficially held by Mr. TU Yanwu.
- (4) These interests represented 46,928\* ordinary shares or underlying ordinary shares and 202,000\* restricted share units beneficially held by Ms. HUANG Jiaojiao and 5,000\* ordinary shares or underlying shares held by her spouse.
- (5) These interests represented 17,305\* ordinary shares or underlying ordinary shares and 68,000\* restricted share units beneficially held by Mr. XU Haipeng.

\* 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 American depositary shares to ordinary shares from 1:1 to 1:8. The ratio of restricted share units to ordinary shares of Alibaba Holding has also changed from 1:1 to 1:8.

# Based on a total of 20,274,382,712 ordinary shares of Alibaba Holding in issue as at September 30, 2023.

# CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

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Long positions in shares and underlying shares of Cainiao Smart Logistics Network Limited (“Cainiao”), an associated corporation of the Company within the meaning of Part XV of the SFO

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of shares/ underlying shares held</b>	<b>Approximate percentage of issued shares of associated corporation</b>
Ms. HUANG Jiaojiao	Beneficial owner	146,975*	0.15%#

\* These interests represented 146,975 class A ordinary shares beneficially held by Ms. HUANG Jiaojiao.

# Based on a total of 100,254,555 class A ordinary shares of Cainiao in issue as at September 30, 2023.

Save as disclosed above, as at September 30, 2023, 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.

# CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

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

As at September 30, 2023, 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	Capacity and nature of interest	Number of shares/ underlying shares	% of the issued share capital of the Company
Alibaba Group Holding Limited	Interest of controlled corporation <sup>(1)</sup>	7,713,318,533	56.99%#
Perfect Advance Holding Limited	Beneficial owner <sup>(1)</sup>	3,103,816,661	22.93%#
Alibaba Investment Limited	Interest of controlled corporation <sup>(1)</sup>	3,103,816,661	22.93%#
	Beneficial owner <sup>(1)</sup>	48,716,465	0.36%#
Ali JK Nutritional Products Holding Limited	Beneficial owner <sup>(1)</sup>	4,560,785,407	33.70%#
Uni-Tech International Group Limited	Beneficial owner <sup>(2)</sup>	777,484,030	5.74%#
21CN Corporation	Interest of controlled corporation <sup>(2)</sup>	777,484,030	5.74%#
Pollon Internet Corporation	Interest of controlled corporation <sup>(2)</sup>	777,484,030	5.74%#
Ms. CHEN Xiao Ying	Interest of controlled corporation <sup>(2)</sup>	777,484,030	5.74%#

# CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

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## Notes:

- (1) Perfect Advance Holding Limited (“**Perfect Advance**”) holds 3,103,816,661 shares of the Company. Perfect Advance is wholly-owned by Alibaba Investment Limited (“**AIL**”), which is in turn wholly-owned by Alibaba Holding. For the purpose of Part XV of the SFO, as Perfect Advance is interested in 3,103,816,661 shares of the Company, AIL is deemed to have an interest in 3,103,816,661 shares of the Company via Perfect Advance.

On May 20, 2022, Innovare Tech Limited (“**Innovare**”) made a distribution in specie (the “**Distribution**”) in respect of 641,090,678 shares of the Company to the limited partners of Yunfeng Fund II, L.P., the beneficial owner of all the voting equity capital in Innovare, based on their respective pro rata entitlements in Innovare. Upon the Distribution, Innovare ceased to have a notifiable interest of 5% or more of the voting shares of the Company within the meaning of the SFO. For details, please refer to the announcement of the Company dated May 20, 2022. As part of the Distribution, 48,716,465 shares of the Company were distributed to AIL. As such, AIL is interested in an aggregate of 3,152,533,126 shares of the Company.

Ali JK Nutritional Products Holding Limited (“**Ali JK**”) holds 4,560,785,407 shares of the Company. Ali JK is wholly-owned by Alibaba Holding. Therefore, Alibaba Holding is deemed to have an interest in an aggregate of 7,713,318,533 shares of the Company via AIL, 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 of the Company 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.

# Based on a total of 13,533,328,542 shares of the Company in issue as at September 30, 2023.

Save as disclosed above, as at September 30, 2023, 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, 2023 (for the six months ended September 30, 2022: Nil).

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

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 May and June 2023, a trustee of the Share Award Scheme purchased a total of 3,180,000 shares of the Company on market for a total consideration of HK\$15,020,000 (equivalent to RMB13,587,000), to satisfy the share awards granted under the Share Award Scheme to the connected employees of the Company upon vesting.

## 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 aggregate nominal value of the Placing Shares was HK\$4,987,531.18. 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 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. As stated in the daily quotation sheets issued by the Stock Exchange, on August 5, 2020, being the date which the Placing Agreement was entered into, the closing price per share was HK\$21.25. 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”**).

# CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

As at September 30, 2023, the Group had applied the Placing Net Proceeds as follows:

Use of Placing Net Proceeds	Planned use of Placing Net Proceeds as disclosed in the Placing Announcements	Total amount of Placing Net Proceeds utilized as at March 31, 2023	Actual use of Placing Net Proceeds for the six months ended September 30, 2023	Unutilized Placing Net Proceeds	Expected timeframe for utilizing the Placing Net Proceeds <sup>(Note)</sup>
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	HK\$3,950.1 million	HK\$770.9 million	HK\$3,250.4 million–HK\$4,246.8 million	March 31, 2024–March 31, 2027
Further develop the Group's digital infrastructure and innovative business	Approximately HK\$996.4 million–HK\$1,992.8 million	HK\$892.5 million	HK\$119.8 million	HK\$0 million–HK\$980.5 million	March 31, 2024–March 31, 2027

*Note:*

The Placing Net Proceeds have been and 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 Board considers that the expected timeline of the full utilization of the unutilized Placing Net Proceeds shall be within the coming one to four years, which is from March 31, 2024 to March 31, 2027 having taken into account the recent market conditions and the business environment and development of the Group. The Company will continue to closely monitor future developments in the market and economic environment in order to optimize the Group's resources and timeframe for the application of the unutilized Placing Net Proceeds. The remaining unutilized portion of the Placing 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 had 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, 2023.

## 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. It has adopted the Corporate Governance Code (“**CG Code**”) as set out in Appendix 14 to the Listing Rules.

In the opinion of the Board, throughout the Reporting Period, the Company has complied with all applicable code provisions (the “**Code Provisions**”) set out in the CG Code, except in respect of the following matters:

# CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

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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. During the Reporting Period, Mr. ZHU Shunyan (“**Mr. Zhu**”) has served as both the chairman of the Board (the “**Chairman**”) and the Chief Executive Officer. After joining the Group, Mr. Zhu has been 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 considered that it was the most suitable for Mr. Zhu to hold both the positions of the Chairman and the Chief Executive Officer as they believe that it would ensure consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. The Board was also of the view that the balance of power and authority for such arrangement would not be impaired and this structure would enable the Company to make and implement decisions promptly and effectively. For the purpose of focusing on the Group’s long-term strategic development plan, Mr. Zhu has resigned from his position as the Chief Executive Officer with effect from the close of business on November 28, 2023 and Mr. SHEN Difan has been appointed as the Chief Executive Officer with effect from the same time. The Company had been in compliance with the requirements under the Code Provision C.2.1 of separating the roles of the chairman and the chief executive officer since the close of business on November 28, 2023.

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.

In response to specific enquiries made by the Company to all Directors, all Directors have confirmed that they have complied with the Model Code and the Company’s code for securities transactions throughout the Reporting Period.

## REVIEW OF INTERIM REPORT

The Group’s interim report for the Reporting Period has not been audited, but has been reviewed by the Audit Committee and the independent auditor of the Company, Ernst & Young. The Audit Committee and Ernst & Young does not have any disagreement with the accounting treatment adopted by the Company.

Hong Kong  
November 28, 2023

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

# INDEPENDENT REVIEW REPORT

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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 36 to 78, 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, 2023 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 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.

# INDEPENDENT REVIEW REPORT

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## 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 28, 2023

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended September 30, 2023

	Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)
REVENUE	4	12,956,000	11,500,569
Cost of sales		(10,087,332)	(9,199,913)
Gross profit		2,868,668	2,300,656
Other income and gains	5	336,078	263,047
Operating expenses			
Fulfilment	6	(1,248,808)	(974,491)
Selling and marketing expenses		(869,376)	(858,890)
Administrative expenses		(169,531)	(173,338)
Product development expenses		(319,314)	(323,986)
Other expenses and losses		(105,802)	(56,046)
Finance costs	7	(2,453)	(3,362)
Share of profits/(losses) of:			
Joint ventures		1,588	19,952
Associates		(9,779)	(19,567)
PROFIT BEFORE TAX	8	481,271	173,975
Income tax expense	9	(36,128)	(10,466)
PROFIT FOR THE PERIOD		445,143	163,509
Attributable to:			
Owners of the parent		445,891	162,194
Non-controlling interests		(748)	1,315
		445,143	163,509
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic		RMB3.30 cents	RMB1.20 cents
Diluted		RMB3.29 cents	RMB1.20 cents

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended September 30, 2023

	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)
PROFIT FOR THE PERIOD	<b>445,143</b>	163,509
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Group's subsidiaries	<b>(208,011)</b>	(431,544)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	<b>606,397</b>	984,570
Equity investment designated at fair value through other comprehensive income:		
Changes in fair value	<b>(12,837)</b>	(20,935)
Income tax effect	-	2,094
	<b>(12,837)</b>	(18,841)
Share of other comprehensive income of an associate	<b>160</b>	-
Income tax effect	<b>(40)</b>	-
	<b>120</b>	-
Total other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax	<b>593,680</b>	965,729
TOTAL OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<b>385,669</b>	534,185
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b>830,812</b>	697,694
Attributable to:		
Owners of the parent	<b>831,560</b>	696,379
Non-controlling interests	<b>(748)</b>	1,315
	<b>830,812</b>	697,694

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2023

	Notes	September 30, 2023 RMB'000 (Unaudited)	March 31, 2023 RMB'000 (Audited) (Restated)
<b>NON-CURRENT ASSETS</b>			
Property and equipment	12	37,811	14,235
Right-of-use assets		68,081	54,313
Goodwill		810,853	810,853
Other intangible assets		300,513	309,010
Investments in joint ventures		251,029	249,441
Investments in associates		2,288,441	2,336,704
Equity investment designated at fair value through other comprehensive income		116,891	122,062
Financial assets at fair value through profit or loss		1,837,122	1,883,292
Other receivables and other assets		14,782	20,024
Deferred tax assets		32,298	34,096
<b>Total non-current assets</b>		<b>5,757,821</b>	<b>5,834,030</b>
<b>CURRENT ASSETS</b>			
Inventories		1,727,035	2,102,312
Trade and bills receivables	13	606,752	578,787
Prepayments, other receivables and other assets		1,060,319	1,139,940
Prepaid tax		25,568	25,318
Financial assets at fair value through profit or loss		408,382	–
Restricted cash		156,363	150,262
Cash and cash equivalents		11,697,450	10,917,171
<b>Total current assets</b>		<b>15,681,869</b>	<b>14,913,790</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	14	3,458,787	3,714,047
Other payables and accruals		1,135,580	1,127,492
Contract liabilities		497,124	495,066
Lease liabilities		38,889	37,437
Tax payable		79,564	63,402
<b>Total current liabilities</b>		<b>5,209,944</b>	<b>5,437,444</b>
<b>NET CURRENT ASSETS</b>		<b>10,471,925</b>	<b>9,476,346</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>16,229,746</b>	<b>15,310,376</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at September 30, 2023

	<i>Notes</i>	<b>September 30, 2023 RMB'000 (Unaudited)</b>	March 31, 2023 RMB'000 (Audited) (Restated)
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>49,344</b>	40,361
Deferred tax liabilities		<b>118,643</b>	122,816
<b>Total non-current liabilities</b>		<b>167,987</b>	163,177
<b>Net assets</b>		<b>16,061,759</b>	15,147,199
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	<i>15</i>	<b>119,240</b>	119,133
Treasury shares	<i>15</i>	<b>(10,993)</b>	(70,482)
Reserves		<b>15,980,504</b>	15,124,922
		<b>16,088,751</b>	15,173,573
<b>Non-controlling interests</b>		<b>(26,992)</b>	(26,374)
<b>Total equity</b>		<b>16,061,759</b>	15,147,199

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended September 30, 2023

	Attributable to owners of parent											
	Share capital	Share premium account	Treasury shares	Merger reserve	Exchange fluctuation reserve	Employee share-based compensation reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Other reserve	Accumulated losses	Total	Non-controlling interests	Total equity
Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At March 31, 2023 (audited)	119,133	43,734,076	(70,482)	(28,189,579)	(380,919)	477,237	613	325,319	(841,691)	15,173,707	(26,374)	15,147,333
Effect of adoption of amendments to HKAS 12	2.2(c)	-	-	-	-	-	-	-	(134)	(134)	-	(134)
At April 1, 2023 (restated)	119,133	43,734,076 <sup>A</sup>	(70,482)	(28,189,579) <sup>A</sup>	(380,919) <sup>A</sup>	477,237 <sup>A</sup>	613 <sup>A</sup>	325,319 <sup>A</sup>	(841,825) <sup>A</sup>	15,173,573	(26,374)	15,147,199
Profit/(loss) for the period (unaudited)	-	-	-	-	-	-	-	-	445,891	445,891	(748)	445,143
Other comprehensive income/(loss) for the period (unaudited):												
Changes in fair value of the equity investment at fair value through other comprehensive income, net of tax (unaudited)	-	-	-	-	-	-	(12,837)	-	-	(12,837)	-	(12,837)
Share of other comprehensive income of an associate, net of tax (unaudited)	-	-	-	-	-	-	-	120	-	120	-	120
Exchange differences on translation of the Company and its subsidiaries (unaudited)	-	-	-	-	398,386	-	-	-	-	398,386	-	398,386
Total comprehensive income/(loss) for the period (unaudited)	-	-	-	-	398,386	-	(12,837)	120	445,891	831,560	(748)	830,812
Issue of new shares for restricted share units (unaudited)	106	-	(106)	-	-	-	-	-	-	-	-	-
Repurchase of shares (unaudited)	75	-	(13,587)	-	-	-	-	-	-	(13,587)	-	(13,587)
Share-based compensation expenses (unaudited)	-	-	-	-	-	126,328	-	-	-	126,328	-	126,328
Vested awarded shares transferred to employees (unaudited)	75	-	110,911	73,182	-	(167,431)	-	(44,413)	-	(27,751)	-	(27,751)
Exercise of share options (unaudited)	75	1	247	-	-	(77)	-	-	-	171	-	171
Deemed interest in an interest-free loan to a non-wholly owned subsidiary (unaudited)	-	-	-	-	-	-	-	(130)	-	(130)	130	-
Appropriation of statutory reserves (unaudited)	-	-	-	-	-	-	-	44,400	(44,400)	-	-	-
Partial disposal of an associate, net of tax (unaudited)	-	-	-	-	-	-	-	(1,450)	-	(1,450)	-	(1,450)
Share of capital reserve of an associate, net of tax (unaudited)	-	-	-	-	-	-	-	37	-	37	-	37
At September 30, 2023 (unaudited)	119,240	43,845,234 <sup>A</sup>	(10,993)	(28,189,579) <sup>A</sup>	17,467 <sup>A</sup>	436,057 <sup>A</sup>	(12,224) <sup>A</sup>	323,883 <sup>A</sup>	(440,334) <sup>A</sup>	16,088,751	(26,992)	16,061,759

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended September 30, 2022

Notes	Attributable to owners of parent											Total equity RMB'000
	Share capital RMB'000	Share premium account RMB'000	Treasury shares RMB'000	Merger reserve RMB'000	Exchange fluctuation reserve RMB'000	Employee share-based compensation reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At March 31, 2022 (audited)	119,102	43,499,897	(23,516)	(28,189,579)	(724,479)	460,077	28,529	237,401	(1,309,013)	14,098,419	(26,187)	14,072,232
Effect of adoption of amendments to HKAS 12	2.2(c)	-	-	-	-	-	-	-	(2,380)	(2,380)	-	(2,380)
At April 1, 2022 (restated)	119,102	43,499,897	(23,516)	(28,189,579)	(724,479)	460,077	28,529	237,401	(1,311,393)	14,096,039	(26,187)	14,069,852
Profit for the period (unaudited and restated)	-	-	-	-	-	-	-	-	162,194	162,194	1,315	163,509
Other comprehensive income/(loss) for the period (unaudited):												
Changes in fair value of the equity investment at fair value through other comprehensive income, net of tax (unaudited)	-	-	-	-	-	-	(18,841)	-	-	(18,841)	-	(18,841)
Exchange differences on translation of the Company and its subsidiaries (unaudited)	-	-	-	-	553,026	-	-	-	-	553,026	-	553,026
Total comprehensive income/(loss) for the period (unaudited and restated)	-	-	-	-	553,026	-	(18,841)	-	162,194	696,379	1,315	697,694
Share-based compensation expenses (unaudited)	-	-	-	-	-	120,557	-	-	-	120,557	-	120,557
Vested awarded shares transferred to employees (unaudited)	-	162,595	11,967	-	-	(159,834)	-	7,823	-	22,551	-	22,551
Exercise of share options (unaudited)	15	20	12,423	-	-	(4,258)	-	-	-	8,185	-	8,185
Deemed interest in an interest-free loan to a non-wholly owned subsidiary (unaudited)	-	-	-	-	-	-	-	(225)	-	(225)	225	-
Deregistration of a subsidiary (unaudited)	-	-	-	-	-	-	-	-	-	-	(1,191)	(1,191)
Appropriation of statutory reserves (unaudited)	-	-	-	-	-	-	-	44,001	(44,001)	-	-	-
Share of capital reserve of an associate, net of tax (unaudited)	-	-	-	-	-	-	-	(39)	-	(39)	-	(39)
At September 30, 2022 (unaudited and restated)	119,122	43,674,915	(11,549)	(28,189,579)	(171,453)	416,542	9,688	288,961	(1,193,200)	14,943,447	(25,838)	14,917,609

<sup>^</sup> These reserve accounts comprise the consolidated reserves of RMB15,980,504,000 (March 31, 2023: RMB15,124,922,000 (restated)) in the interim condensed consolidated statement of financial position.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended September 30, 2023

	Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>481,271</b>	173,975
Adjustments for:			
Finance costs	7	<b>2,453</b>	3,362
Share of profits of joint ventures		<b>(1,588)</b>	(19,952)
Share of losses of associates		<b>9,779</b>	19,567
Bank interest income	5	<b>(203,859)</b>	(145,827)
Other interest income	5	<b>(450)</b>	(676)
Gain on disposal of a joint venture	5	<b>(10)</b>	–
Gain on deemed disposal of associates	5	<b>(18,066)</b>	–
Gain on partial disposal of an associate	5	<b>(48,337)</b>	–
Gain on deregistration of subsidiaries	5	–	(1,021)
Fair value loss on financial assets at fair value through profit or loss, net	8	<b>85,564</b>	36,885
Loss on disposal of property and equipment	8	<b>4</b>	80
Loss on revision of lease terms arising from changes in the non-cancellable periods of leases	8	<b>257</b>	3,167
Gain on recognition of net investment in a sublease	5	–	(2,649)
Fair value loss on contingent consideration included in other payables and accruals	8	<b>8,457</b>	11,085
Depreciation of property and equipment	8	<b>3,622</b>	5,109
Depreciation of right-of-use assets	8	<b>13,106</b>	21,674
Amortisation of intangible assets	8	<b>8,497</b>	9,114
Covid-19-related rent concessions from lessors		–	(163)
Impairment of trade receivables	8	<b>85</b>	391
Reversal of impairment of a loan to a joint venture	8	<b>(2,500)</b>	–
Impairment/(reversal of impairment) of inventories	8	<b>(27,984)</b>	47,775
Share-based compensation expenses	8, 16	<b>155,207</b>	154,392
		<b>465,508</b>	316,288
Increase in trade and bills receivables		<b>(28,050)</b>	(17,499)
Decrease/(increase) in prepayments, other receivables and other assets		<b>116,795</b>	(127,531)
Decrease/(increase) in inventories		<b>403,261</b>	(106,366)
Increase/(decrease) in trade and bills payables		<b>(255,260)</b>	223,067
Increase in other payables and accruals		<b>30,029</b>	71,791
Increase in contract liabilities		<b>2,058</b>	54,993
Increase in restricted cash		<b>(6,101)</b>	(40,995)
Effect of foreign exchange rate changes, net		<b>36,601</b>	15,519

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended September 30, 2023

	Note	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash generated from operations		764,841	389,267
Interest received		172,264	136,651
Interest paid		(2,453)	(3,362)
Mainland of the People's Republic of China ("Mainland China") taxes paid		(28,003)	(18,507)
Hong Kong taxes refunded		3,528	–
Net cash flows generated from operating activities		910,177	504,049
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(16,492)	(4,753)
Purchase of other intangible assets		–	(24)
Purchase of financial assets at fair value through profit or loss		(403,660)	(142,420)
Proceeds from disposal of property and equipment		187	–
Payment of consideration of acquisitions		(131,154)	(77,326)
Interest received		24,449	–
Repayment of a loan to a joint venture		2,500	–
Dividend received from investment in an associate		3,919	2,487
Receipt of finance lease payments		6,557	–
Proceeds from partial disposal of an associate		99,244	–
Proceeds from disposal of a joint venture		10	–
Investment in a joint venture		–	(39,800)
Increase in non-pledged time deposits with original maturity of over three months when acquired		(564,966)	(474,715)
Net cash flows used in investing activities		(979,406)	(736,551)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from exercise of share options	15	171	8,185
Repurchase of shares		(13,587)	–
Principal portion of lease payments		(16,696)	(24,195)
Net cash flows used in financing activities		(30,112)	(16,010)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended September 30, 2023

	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(99,341)</b>	(248,512)
Cash and cash equivalents at beginning of period	<b>9,236,850</b>	9,341,427
Effect of foreign exchange rate changes	<b>183,172</b>	309,910
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	<b>9,320,681</b>	9,402,825
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>9,320,681</b>	9,402,825
Non-pledged time deposits with original maturity over three months when acquired	<b>2,376,769</b>	1,852,208
CASH AND CASH EQUIVALENTS AS STATED IN THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	<b>11,697,450</b>	11,255,033
Non-pledged time deposits with original maturity over three months when acquired	<b>(2,376,769)</b>	(1,852,208)
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>9,320,681</b>	9,402,825

## 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 Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The principal place of business of the Company is located at 65th Floor, CITIC Tower, Beijing, the People’s Republic of China (the “**PRC**”).

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

In the opinion of the directors, the Company’s ultimate holding company of the Company is Alibaba Group Holding Limited (“**Alibaba Holding**”, together with its subsidiaries, “**Alibaba Group**”). There is no company holding a direct majority interest in the Company.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

### 2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended September 30, 2023 (the “**Reporting Period**”) has 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 information does 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, 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**” (which include all HKFRSs, HKASs and Interpretations)).

The Company has two trusts (the “**Trusts**”) for the purpose of purchasing, administering and holding the Company’s shares for the share award scheme adopted on November 24, 2014 (the “**Share Award Scheme**”). The Group has the power to govern the financial and operating policies of the Trusts and derive benefits from the services of the employees who have been awarded the awarded shares through their continued employment with the Group. The assets and liabilities of the Trusts are included in the consolidated statement of financial position and the Company’s shares held by the Trusts are presented as a deduction in equity as the Company’s shares held for the Share Award Scheme.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 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 Group's 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 information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended March 31, 2023, except for the adoption of the following new and revised HKFRSs for the first time for the current period's financial information.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies and disclosures (Continued)

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since April 1, 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after April 1, 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies and disclosures (Continued)

- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at April 1, 2022, with any cumulative effect recognised as an adjustment to the balance of accumulated losses or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after April 1, 2022, if any.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at April 1, 2022. The quantitative impact on the financial information is summarised below.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies and disclosures (Continued)

(c) (Continued)

Impact on the interim condensed consolidated statement of financial position:

	Increase/(decrease)		
	As at September 30, 2023 RMB'000 (Unaudited)	As at March 31, 2023 RMB'000 (Unaudited)	As at April 1, 2022 RMB'000 (Unaudited)
<b>Assets</b>			
Deferred tax assets	994	265	28
Total non-current assets	994	265	28
Total assets	994	265	28
<b>Liabilities</b>			
Deferred tax liabilities	322	399	2,408
Total non-current liabilities	322	399	2,408
Total liabilities	322	399	2,408
Net assets	672	(134)	(2,380)
<b>Equity</b>			
Accumulated losses (included in reserves)	(672)	134	2,380
Equity attributable to owners of the parent	672	(134)	(2,380)
Total equity	672	(134)	(2,380)

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies and disclosures (Continued)

(c) (Continued)

The deferred tax assets and the deferred tax liabilities arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

Impact on the interim condensed consolidated statement of profit or loss:

	Increase/(decrease) For the six months ended September 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Income tax expenses	(806)	(1,533)
Profit for the period	806	1,533
Attributable to:		
Owners of the parent	806	1,533
Non-controlling interests	–	–
	806	1,533
Total comprehensive income for the period	806	1,533
Attributable to:		
Owners of the parent	806	1,533
Non-controlling interests	–	–
	806	1,533

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies and disclosures (Continued)

(c) (Continued)

	Increase/(decrease) For the six months ended September 30,	
	2023 (Unaudited)	2022 (Unaudited)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
Basic	<b>RMB0.01 cents</b>	RMB0.01 cents
Diluted	<b>RMB0.01 cents</b>	RMB0.01 cents

The adoption of amendments to HKAS 12 did not have any impact on the other comprehensive income/(loss) and the interim condensed consolidated statements of cash flows for the six months ended September 30, 2023 and 2022.

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after January 1, 2023, but are not required to disclose such information for any interim periods ending on or before December 31, 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 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

During the six months ended September 30, 2023, over 95% (September 30, 2022: 95%) of the Group's revenue from external customers and non-current assets other than financial instruments and deferred tax assets as at September 30, 2023 attributed to Mainland China as determined based on the locations of customers and assets, respectively.

### Information about a major customer

During the six months ended September 30, 2023, there was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group's revenue (for the six months ended September 30, 2022: Nil).

## 4. REVENUE

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

	Six months ended September 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Pharmaceutical direct sales business	11,446,663	10,081,462
Pharmaceutical e-commerce platform business	1,021,241	999,769
Healthcare and digital services business	488,096	419,338
	<b>12,956,000</b>	11,500,569

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 4. REVENUE (CONTINUED)

Disaggregated revenue information

	Six months ended September 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Type of goods or services:</b>		
Sale of products	10,842,508	9,627,169
Provision of services	2,113,492	1,873,400
	<b>12,956,000</b>	11,500,569
<b>Timing of revenue recognition:</b>		
At a point in time	11,950,035	10,678,874
Over time	1,005,965	821,695
	<b>12,956,000</b>	11,500,569

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 5. OTHER INCOME AND GAINS

	Six months ended September 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Other income</b>		
Bank interest income	203,859	145,827
Government grants	58,156	60,846
Foreign exchange differences, net	–	44,245
Management fee income from a joint venture	5,142	4,852
Other interest income	450	676
Others	2,058	2,931
	<b>269,665</b>	259,377
<b>Gains</b>		
Gain on partial disposal of an associate	48,337	–
Gain on deemed disposal of associates	18,066	–
Gain on deregistration of subsidiaries	–	1,021
Gain on recognition of net investment in a sublease	–	2,649
Gain on disposal of a joint venture	10	–
	<b>66,413</b>	3,670
<b>Total</b>	<b>336,078</b>	263,047

## 6. FULFILMENT

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

## 7. FINANCE COSTS

	Six months ended September 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest on lease liabilities	2,453	3,362

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 8. PROFIT BEFORE TAX

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

	Note	Six months ended September 30,	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of goods sold*		9,116,014	8,200,105
Cost of services provided* (excluding employee benefit expense)		967,577	925,200
Loss on disposal of property and equipment		4	80
Depreciation of property and equipment		3,622	5,109
Depreciation of right-of-use assets		13,106	21,674
Amortisation of intangible assets		8,497	9,114
Fair value loss on contingent consideration included in other payables and accruals**		8,457	11,085
Fair value loss on financial assets at fair value through profit or loss, net**		85,564	36,885
Impairment/(reversal of impairment) of inventories*		(27,984)	47,775
Impairment of trade receivables**		85	391
Reversal of impairment of a loan to a joint venture**		(2,500)	–
Loss on revision of lease terms arising from changes in the non-cancellable periods of leases**		257	3,167
Foreign exchange differences, net**		10,221	–
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages and salaries		293,211	342,399
Bonus		95,622	104,192
Pension scheme contributions#		28,550	29,320
Share-based compensation expenses	16	155,207	154,392
		<b>572,590</b>	<b>630,303</b>

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

\*\* These items are included in "Other expenses and losses" in the condensed 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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 9. INCOME TAX EXPENSE

	Six months ended September 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)
Current – Hong Kong		
Charge for the period	–	336
Underprovision/(overprovision) in prior years	(5)	129
Current – Mainland China		
Charge for the period	38,244	9,116
Underprovision in prior years	–	566
Deferred	(2,111)	319
<b>Total tax charge for the period</b>	<b>36,128</b>	<b>10,466</b>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended September 30, 2023. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the six months ended September 30, 2022.

In Mainland China, the companies are subject to the PRC corporate income tax rate of 25% (for the six months ended September 30, 2022: 25%) except for two (for the six months ended September 30, 2022: two) PRC subsidiaries which are entitled to a preferential tax rate of 15% because they are accredited as High and New Technology Enterprises.

## 10. DIVIDENDS

The board of Directors (the “**Board**”) has resolved that no interim dividend be declared for the six months ended September 30, 2023 (for the six months ended September 30, 2022: Nil).

## 11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to owners of the parent of RMB445,891,000 (for the six months ended September 30, 2022: RMB162,194,000 (restated)), and the weighted average number of ordinary shares of 13,512,923,035 in issue during the period (for the six months ended September 30, 2022: 13,508,899,419).

The calculation of the diluted earnings per share amount is based on the profit for the period 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 period, 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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

The calculations of basic and diluted earnings per share are based on:

	Six months ended September 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parents used in the basic earnings per share calculation	445,891	162,194
	Number of shares Six months ended September 30,	
	2023 (Unaudited)	2022 (Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	13,512,923,035	13,508,899,419
Effect of dilution – weighted average number of ordinary shares:		
Share options	535,539	440,582
Restricted share units	38,575,338	11,746,373
	13,552,033,912	13,521,086,374

## 12. PROPERTY AND EQUIPMENT

During the six months ended September 30, 2023, the Group acquired property and equipment at an aggregate cost of RMB27,389,000 (for the six months ended September 30, 2022: RMB4,753,000) and disposed of property and equipment with an aggregate net book value of RMB191,000 (for the six months ended September 30, 2022: RMB1,597,000), resulting in a net loss on disposal of RMB4,000 (for the six months ended September 30, 2022: RMB80,000).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 13. TRADE AND BILLS RECEIVABLES

	September 30, 2023 RMB'000 (Unaudited)	March 31, 2023 RMB'000 (Audited)
Trade receivables	635,381	606,627
Impairment	(28,629)	(28,544)
	<b>606,752</b>	578,083
Bills receivable	–	704
	<b>606,752</b>	578,787

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, 2023 are amounts due from subsidiaries of Alibaba Group of approximately RMB208,017,000 (March 31, 2023: RMB192,106,000 (audited)) and the Group's associates of approximately RMB5,375,000 (March 31, 2023: RMB267,000 (audited)), 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:

	September 30, 2023 RMB'000 (Unaudited)	March 31, 2023 RMB'000 (Audited)
Within 3 months	488,813	465,694
4 to 12 months	98,136	98,626
Over 12 months	19,803	13,763
	<b>606,752</b>	578,083

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 14. 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 follow:

	September 30, 2023 RMB'000 (Unaudited)	March 31, 2023 RMB'000 (Audited)
Within 3 months	2,847,303	3,000,935
4 to 12 months	543,330	624,112
Over 12 months	68,154	89,000
	<b>3,458,787</b>	<b>3,714,047</b>

Included in the Group's trade payables are amounts due to subsidiaries of Alibaba Group of approximately RMB1,008,856,000 (March 31, 2023: RMB843,047,000 (audited)), which are repayable on credit terms mutually agreed by the parties involved.

## 15. SHARE CAPITAL

### Shares

	September 30, 2023 RMB'000 (Unaudited)	March 31, 2023 RMB'000 (Audited)
Issued and fully paid: 13,533,328,542 (March 31, 2023: 13,521,362,542) ordinary shares of HK\$0.01 each	<b>119,240</b>	<b>119,133</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 15. SHARE CAPITAL (CONTINUED)

### Shares (Continued)

	Number of shares in issue <i>(Unaudited)</i>	Share capital <i>(Unaudited)</i> RMB'000	Treasury shares <i>(Unaudited)</i> RMB'000
At April 1, 2022	13,517,806,542	119,102	(23,516)
Share options ("Options") exercised <i>(note a)</i>	2,313,500	20	–
Vested awarded shares transferred to employees <i>(note c)</i>	–	–	11,967
At September 30, 2022	13,520,120,042	119,122	(11,549)
At April 1, 2023	<b>13,521,362,542</b>	<b>119,133</b>	<b>(70,482)</b>
Share options exercised <i>(note a)</i>	<b>50,000</b>	<b>1</b>	<b>–</b>
Issue of shares for restricted share units ("RSUs") <i>(note b)</i>	<b>11,916,000</b>	<b>106</b>	<b>(106)</b>
Vested awarded shares transferred to employees <i>(note c)</i>	–	–	<b>73,182</b>
Repurchase of shares <i>(note d)</i>	–	–	<b>(13,587)</b>
At September 30, 2023	<b>13,533,328,542</b>	<b>119,240</b>	<b>(10,993)</b>

#### Notes:

- (a) For the six months ended September 30, 2023, the subscription rights attaching to 50,000 share options were exercised at the subscription price of HK\$3.69 per share (note 16), resulting in the issue of 50,000 shares for a total cash consideration, before expenses, of RMB171,000. An amount of RMB77,000 was transferred from the share option reserve to share premium upon the exercise of the share options. For the six months ended September 30, 2022, the subscription rights attaching to 2,313,500 share options were exercised at the subscription price of HK\$4.16 per share (note 16), resulting in the issue of 2,313,500 shares for a total cash consideration, before expenses, of RMB8,185,000. An amount of RMB4,258,000 was transferred from the share option reserve to share premium upon the exercise of the share options.
- (b) During the six months ended September 30, 2023, 11,916,000 shares of HK\$0.01 each were issued for RSUs to be vested for non-connected persons.
- (c) Upon vesting of RSUs for the six months ended September 30, 2023, 27,846,000 treasury shares were transferred to non-connected persons and 1,057,000 treasury shares were transferred to connected persons, respectively. Upon vesting of RSUs for the six months ended September 30, 2022, 14,511,601 treasury shares were transferred to non-connected persons and 936,800 treasury shares were transferred to connected persons, respectively.
- (d) During the six months ended September 30, 2023, 3,180,000 shares of HK\$0.01 each were repurchased for RSUs to be vested for connected persons at a total cash consideration of RMB13,587,000.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 16. SHARE-BASED COMPENSATION COSTS

### 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 (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 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. The minimum period for which the options must be held before it can be exercised shall be no less than one year from the date of its respective grant.

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on August 11, 2023 (the “**New Approval Date**”), the Company approved to amend the rules of the Share Award Scheme. 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 that may be issued in respect of the Share Awards granted under the Share Award Scheme and any other share schemes of the Company (the “**Scheme Mandate Limit**”) shall not exceed 10% of the shares in issue as at the New Approval Date, or 10% of the shares in issue as at the date of approving the refreshed Scheme Mandate Limit. The total number of shares that may be issued in respect of the Share Awards granted to any person who provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business that are beneficial to the long-term development of the Group (the “**Service Providers**”) under the Share Award Scheme and any other share schemes of the Company (the “**Service Provider Sublimit**”) shall not exceed 1% of the shares in issue as at the New Approval Date, or 1% of the shares in issue as at the date of approving the refreshed Service Provider Sublimit.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 16. SHARE-BASED COMPENSATION COSTS (CONTINUED)

### Share award scheme (Continued)

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

	<b>Weighted average exercise price of options (Unaudited) HK\$ per share</b>	<b>Number of options (Unaudited) '000</b>	<b>Number of RSUs (Unaudited) '000</b>
Outstanding at April 1, 2022	10.69	15,178	61,367
Granted during the period	4.92	7,344	74,083
Forfeited or lapsed during the period	5.72	(313)	(10,526)
Exercised or vested during the period	4.16	(2,314)	(15,448)
Outstanding at September 30, 2022	7.64	19,895	109,476
Outstanding at April 1, 2023	<b>7.87</b>	<b>18,653</b>	<b>97,909</b>
Granted during the period	<b>5.04</b>	<b>9,941</b>	<b>51,713</b>
Forfeited or lapsed during the period	<b>8.09</b>	<b>(587)</b>	<b>(9,621)</b>
Exercised or vested during the period	<b>3.69</b>	<b>(50)</b>	<b>(28,903)</b>
Outstanding at September 30, 2023	<b>8.12</b>	<b>27,957</b>	<b>111,098</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 16. SHARE-BASED COMPENSATION COSTS (CONTINUED)

### Share award scheme (Continued)

The weighted average share price at the date of exercise for share options exercised during the six months ended September 30, 2023 was HK\$5.50 per share (for the six months ended September 30, 2022: HK\$4.62 per share).

The exercise price of RSUs is nil. For options outstanding at the end of the Reporting Period, the exercise prices range from HK\$3.63 to HK\$19.94 (March 31, 2023: HK\$3.63 to HK\$19.94). The exercise period of the options is from the vesting date to 10 years from the grant date. 27,957,000 (March 31, 2023: 18,653,000) share options of the Group were outstanding as at September 30, 2023 with the weighted average remaining contractual life of 7.84 years (March 31, 2023: 7.29 years).

As at September 30, 2023, the remaining vesting periods for the options and RSUs granted range from 3 months to 70 months (March 31, 2023: from 3 months to 64 months).

The fair value of options granted during the six months ended September 30, 2023 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:

	<b>Six months ended September 30, 2023 (Unaudited)</b>
Fair value of the Company's options at the grant date	HK\$3.29~HK\$3.35
Expected volatility (%)	83
Expected dividend (%)	0.00
Exercise multiple	2.6~3.0
Exercise price	HK\$4.68~HK\$5.16
Risk-free interest rate (%)	3.60
Forfeiture rate (%)	24

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 16. SHARE-BASED COMPENSATION COSTS (CONTINUED)

### Share award scheme (Continued)

The fair values of the RSUs granted during the six months ended September 30, 2023 and September 30, 2022 were determined based on the market value of the Company's shares at the respective grant dates.

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

	Six months ended September 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of sales	7,884	7,980
Fulfilment	17,496	19,367
Selling and marketing expenses	47,082	40,174
Administrative expenses	36,428	35,884
Product development expenses	46,317	50,987
	<b>155,207</b>	154,392

At the end of the Reporting Period, the Company had approximately 27,957,000 share options and 111,098,000 RSUs outstanding under the Share Award Scheme, which represented approximately 1.03% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options and RSUs, under the present capital structure of the Company, would result in the issue of approximately 27,957,000 additional ordinary shares of the Company and additional share capital of HK\$279,570 (equivalent to approximately RMB254,000) (before issue expenses), the purchase of 104,385,000 existing shares from the market and the release of 6,713,000 shares from treasury shares.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 17. RELATED PARTY TRANSACTIONS

### (I) Transactions with related parties

	Six months ended September 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Ultimate holding company:		
Share-based compensation expenses attributable to connected persons^	(8,072)	(9,918)
Fellow subsidiaries:		
Marketing services received from Alibaba Group	(586,542)	(511,846)
Shared services received from Alibaba Group	(145,634)	(134,044)
Internet information and other related services received from Alibaba Group	(157,794)	(110,259)
Cloud computing services received from Alibaba Cloud Computing Ltd.	(49,646)	(51,929)
Logistics and warehouse services received from Hangzhou Cainiao Supply Chain Management Co., Ltd.	(88,889)	(123,684)
Technical services received from Tmall Entities® regarding Blue Cap Health Food#	(38,273)	(33,109)
Technical services received from Tmall Entities regarding medical devices, healthcare products, adult products, and medical and healthcare services	(353,875)	(361,649)
Technical services received from Taobao Holding Limited (“Taobao Holding”) regarding Tmall Products and Services and Tmall Global Products and Services*	(161,781)	(139,582)
Outsourced and value-added services provided to Taobao Holding	51,876	47,908
Tracking related services provided to Taobao Holding	1,123	387
Sales of products to Taobao Holding	–	16,845
Software services provided to Taobao Holding	44,886	47,769
Business sourcing and promotion services provided to Koubei (Shanghai) Information Technology Co., Ltd.	2,353	11
Associate of the ultimate holding company:		
Payment services received from Alipay.com Co., Ltd.	(37,936)	(33,955)
Information display service provided by Ant Yikang (Guangzhou) Information Technology Co., Ltd.	(759)	–
Registration service provided to Ant Yikang (Guangzhou) Information Technology Co., Ltd.	1,415	–
Joint ventures:		
Management fee	5,142	4,852
Associates:		
Sales of products	5,156	–

## 17. RELATED PARTY TRANSACTIONS (CONTINUED)

### (I) Transactions with related parties (Continued)

<sup>^</sup> On June 15, 2022, a total of 3,776,625 Options are granted to five connected grantees, of which 1,290,125 Options are granted to Mr. Zhu Shunyan (Chairman) (former Chief Executive Officer and resigned as the Chief Executive Officer with effect from the close of business on November 28, 2023), 1,062,750 Options are granted to Mr. Shen Difan (Chief Executive Officer) (appointed as the Chief Executive Officer with effect from the close of business on November 28, 2023), 283,250 Options are granted to Mr. Tu Yanwu, and the remaining Options are granted to three directors of subsidiaries of the Company.

On June 15, 2022, a total of 1,992,550 RSUs are granted to six connected grantees, of which 516,050 RSUs are granted to Mr. Zhu Shunyan (Chairman) (former Chief Executive Officer and resigned as the Chief Executive Officer with effect from the close of business on November 28, 2023), 425,100 RSUs are granted to Mr. Shen Difan (Chief Executive Officer) (appointed as the Chief Executive Officer with effect from the close of business on November 28, 2023), 113,300 RSUs are granted to Mr. Tu Yanwu, and the remaining RSUs are granted to three directors of subsidiaries of the Company.

On June 15, 2023, a total of 3,956,000 Options are granted to five connected grantees, of which 1,381,250 Options are granted to Mr. Zhu Shunyan (Chairman) (former Chief Executive Officer and resigned as the Chief Executive Officer with effect from the close of business on November 28, 2023), 1,302,750 Options are granted to Mr. Shen Difan (Chief Executive Officer) (appointed as the Chief Executive Officer with effect from the close of business on November 28, 2023), 255,750 Options are granted to Mr. Tu Yanwu, and the remaining Options are granted to two directors of subsidiaries of the Company.

On June 15, 2023, a total of 2,803,800 RSUs are granted to ten connected grantees, of which 552,500 RSUs are granted to Mr. Zhu Shunyan (Chairman) (former Chief Executive Officer and resigned as the Chief Executive Officer with effect from the close of business on November 28, 2023), 521,100 RSUs are granted to Mr. Shen Difan (Chief Executive Officer) (appointed as the Chief Executive Officer with effect from the close of business on November 28, 2023), 102,300 RSUs are granted to Mr. Tu Yanwu, and the remaining RSUs are granted to seven directors of subsidiaries of the Company.

<sup>®</sup> Tmall Entities refers to Zhejiang Tmall Network Co., Ltd. and Zhejiang Tmall Technology Co., Ltd.

<sup>#</sup> Blue Cap Health Food refers to a kind of health food approved by the State Administration for Market Regulation of China.

<sup>\*</sup> Tmall Products and Services comprised 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.

All these related party transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 17. RELATED PARTY TRANSACTIONS (CONTINUED)

### (II) Outstanding balances with related parties:

In addition to the outstanding balances detailed in notes 13 and 14 in this financial information, the balances with related parties as at the end of the Reporting Period are listed below:

	September 30, 2023 RMB'000 (Unaudited)	March 31, 2023 RMB'000 (Audited)
Fellow subsidiaries:		
Other receivables	158,822	143,485
Prepayments and deposits	25,727	72,015
Other payables	299,368	243,085
Accruals	5,218	3,097
Associate of the ultimate holding company:		
Other receivables	586	2,424
Prepayments and deposits	–	117
Other payables	18	290
Joint ventures:		
Other payables	2,866	1,043

The balances with fellow subsidiaries, associate of the ultimate holding company and joint ventures are unsecured, interest-free, and have no fixed terms of repayment.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 17. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Six months ended September 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Short-term employee benefits	9,656	1,062
Performance related bonuses	3,368	3,916
Share-based compensation expenses	20,796	19,243
Pension scheme contributions	380	446
Total compensation of key management personnel	34,200	24,667

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 18. 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, 2023 RMB'000 (Unaudited)	As at March 31, 2023 RMB'000 (Audited)	As at September 30, 2023 RMB'000 (Unaudited)	As at March 31, 2023 RMB'000 (Audited)
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	2,245,504	1,883,292	2,245,504	1,883,292
Equity investment designated at fair value through other comprehensive income	116,891	122,062	116,891	122,062
Long-term receivables	14,782	20,024	12,865	17,950
Bills receivable	–	704	–	704
	<b>2,377,177</b>	<b>2,026,082</b>	<b>2,375,260</b>	<b>2,024,008</b>
<b>Financial liabilities</b>				
Contingent consideration included in other payables and accruals	–	65,292	–	65,292
	–	65,292	–	65,292

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables 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 Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

## 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

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 unlisted equity investments designated at fair value through other comprehensive income or fair values of unlisted equity investments designated at fair value through profit or loss have been estimated using a market-based valuation technique 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 the option price model to estimate the DLOM. The Directors believe that the estimated fair values resulting from the valuation techniques, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income or profit or loss, are reasonable.

The fair values of structured deposits included in financial assets at fair value through profit or loss have been calculated using a Monte Carlo simulation model to generate the key input values which are to determine the returns of structured deposits, and then a discounted cash flow valuation model based on the average key input values and market interest rates of instruments with similar terms and risks.

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of the Reporting Period:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/S multiple of peers	4.85 to 9.08 (March 31, 2023: 1.95 to 8.18)	1% (March 31, 2023: 1%) increase/decrease in multiple would result in increase/decrease in fair value by RMB2,334,000 to RMB3,528,000 (March 31, 2023: RMB315,000 to RMB4,658,000)
		(March 31, 2023: Average P/B multiple of peers)	(March 31, 2023: 3.16)	(March 31, 2023: 1% increase/decrease in multiple would result in increase/decrease in fair value by RMB906,000)
		Discount for lack of marketability	12% to 19% (March 31, 2023: 17% to 30%)	1% (March 31, 2023: 1%) increase/decrease in discount would result in decrease/increase in fair value by RMB549,000 to RMB573,000 (March 31, 2023: RMB523,000 to RMB1,026,000)
Unlisted equity investments	Valuation multiples	Median P/S multiple of peers	1.22 to 9.96 (March 31, 2023: 1.28 to 9.78)	1% (March 31, 2023: 1%) increase/decrease in multiple would result in increase/decrease in fair value by RMB822,000 to RMB7,793,000 (March 31, 2023: RMB691,000 to RMB8,320,000)
		Discount for lack of marketability	20% to 30% (March 31, 2023: 20% to 27%)	1% (March 31, 2023: 1%) increase/decrease in discount would result in decrease/increase in fair value by RMB281,000 to RMB1,948,000 (March 31, 2023: RMB259,000 to RMB2,080,000)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

### 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, 2023*

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices In active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Financial assets at fair value through profit or loss	–	408,382	1,837,122	2,245,504
Equity investment designated at fair value through other comprehensive income	–	–	116,891	116,891
	–	408,382	1,954,013	2,362,395

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

*Assets measured at fair value: (Continued)*

*As at March 31, 2023*

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Financial assets at fair value through profit or loss	–	–	1,883,292	1,883,292
Equity investment designated at fair value through other comprehensive income	–	–	122,062	122,062
Bills receivable	–	704	–	704
	–	704	2,005,354	2,006,058

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

*Assets measured at fair value: (Continued)*

The movements in fair value measurements within Level 3 during the period are as follows:

	For the six months ended September 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Financial assets at fair value through profit or loss</b>		
At 1 April	1,883,292	1,661,490
Total losses recognised in profit or loss	(88,956)	(36,885)
Purchases	–	142,420
Exchange realignment	42,786	57,051
At the end of the period	1,837,122	1,824,076
<b>Equity investment at fair value through other comprehensive income</b>		
At 1 April	122,062	140,900
Total losses recognised in other comprehensive income	(12,837)	(20,935)
Exchange realignment	7,666	15,948
At the end of the period	116,891	135,913

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

### Fair value hierarchy (Continued)

#### Liabilities measured at fair value:

As at September 30, 2023, the Group has no liabilities measured at fair value within Level 3.

As at March 31, 2023

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices In active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Contingent consideration included in other payables and accruals	–	–	65,292	65,292

During the six months ended September 30, 2023, 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 (for the six months ended September 30, 2022: Nil).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

September 30, 2023

## 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

*Assets for which fair values are disclosed:*

*As at September 30, 2023*

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Long-term receivables	–	12,865	–	12,865

*As at March 31, 2023*

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Long-term receivables	–	17,950	–	17,950

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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September 30, 2023

## 19. EVENTS AFTER THE REPORTING PERIOD

On November 28, 2023, the Company entered into a share purchase agreement with Taobao Holding Limited (the “**Vendor**”), a direct wholly-owned subsidiary of Alibaba Holding, pursuant to which the Company agreed to acquire 100% equity interests in AJK Technology Holding Limited and its subsidiaries from the Vendor, subject to the terms and conditions of the share purchase agreement. The consideration amounting to HK\$13,512 million shall be satisfied by (i) the Company issuing 2,558,222,222 shares at the issue price of HK\$4.50 per share to the Vendor (and/or its nominee), subject to proportional adjustments, and (ii) the Company paying the USD equivalent of HK\$2,000 million in cash to the Vendor. The transaction was not yet completed as of the date of approval of this interim financial information.

During the period between October 1 and November 28, 2023, the subscription rights attaching to 171,000 share options were exercised at the subscription price of HK\$4.144 per share, resulting in the issue of 171,000 shares of the Company for a total cash consideration, before expenses, of RMB650,000.

## 20. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

This interim condensed consolidated financial information was approved and authorised for issue by the Board on November 28, 2023.