AliHealth
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ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED
阿 里 健 康 信 息 技 術 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock code: 00241)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED MARCH 31, 2018

The board of directors (the "**Board**") of Alibaba Health Information Technology Limited (the "**Company**") is pleased to announce the audited annual results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended March 31, 2018 together with comparative figures for the preceding year. The annual condensed consolidated financial statements have been reviewed by the audit committee of the Company.

SUMMARY

- For the year ended March 31, 2018, the Group reported revenue and gross profit of RMB2,442.6 million and RMB652.8 million, representing significant year-on-year growth of 414.2% and 248.7%, respectively. Such strong growth in revenue and gross profit was mainly attributable to the rapid growth in revenue from self-operated healthcare product sales and e-commerce platform services during the year. Revenue from self-operated healthcare product sales and e-commerce platform services for the year amounted to RMB2,149.1 million and RMB171.1 million, respectively. Meanwhile, revenue from other innovative businesses and value-added services also experienced significant growth.

- The Group's loss for the year significantly decreased by 47.7% to RMB109.0 million as compared to the previous year, and its adjusted net profit[1] amounted to RMB8.0 million. The Group's increasing profitability will enable the Group to increase investment in artificial intelligence ("**AI**")-related medical fields, as well as the launch and deployment of cutting-edge and innovative products, including intelligent medicine, Internet-based medical services and personal health management.

- During the year, the Group's self-operated healthcare product sales business and its e-commerce platform services business (which includes the Group's provision of outsourced and value-added services for pharmaceutical-related categories on the Tmall platform and the health food category e-commerce platform services business acquired from Alibaba Group in 2017) grew significantly. During the year, revenue from the Group's self-operated healthcare product sales business reached RMB2,149.1 million, with the Group's self-operated online stores accumulating more than 15 million annual active consumers. At the same time, the total gross merchandise volume ("**GMV**")[2] of Tmall's pharmaceutical categories in respect of which the Group provided outsourced and value-added services and the GMV of the health food category e-commerce platform services business acquired from Alibaba Group in 2017 exceeded RMB30 billion in aggregate.

- As of March 31, 2018, nearly 23,000 medical practitioners, pharmacists and nutritionists had signed up with the Group to provide online health consultation services to users, providing an average of more than 50,000 consultation sessions daily by working through shifts. During the year, the number of active users who had used the "My Health" service through the Taobao mobile app reached 28 million. As at the end of the year, the Group's vaccination platform covered more than a thousand vaccination service points across more than a hundred cities and provided vaccination education to nearly 200 million people.

- As of March 31, 2018, more than 7,500 enterprises had signed up with the Group to join the Ma Shang Fang Xin^ (碼上放心) tracking platform, and the number of pharmaceutical manufacturers which had signed up amounted to 2,865, accounting for more than 80% of the total number of pharmaceutical manufacturers in China.

- The directors of the Company (the "**Directors**") do not recommend the payment of a final dividend for the year ended March 31, 2018.

1 Adjusted net profit is based on the loss for this year after excluding share-based compensation expenses.

2 Total gross merchandise volume ("**GMV**") refers to the value of confirmed orders of products and services on marketplaces relevant to the Group, regardless of how, or whether, the buyer and seller settle the transaction.

KEY FINANCIAL INFORMATION

	For the year ended March 31,		
	2018	2017	Change
	RMB'000	*RMB'000*	*%*
Revenue	**2,442,618**	475,078	414.2
— Self-operated healthcare product sales	**2,149,107**	313,686	585.1
— E-commerce platform services	**171,079**	40,341	324.1
— Tracking services	**24,353**	96,305	(74.7)
— Innovative healthcare related services and others	**98,079**	24,746	296.3
Gross profit	**652,824**	187,243	248.7
Gross profit margin	**26.7%**	39.4%	N/A
Loss for the year	**(109,034)**	(208,653)	(47.7)
Excluding			
— Share-based compensation expenses	**117,034**	110,324	6.1
Adjusted net profit/(loss)	**8,000**	(98,329)	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended March 31, 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
REVENUE	4	**2,442,618**	475,078
Cost of revenue		**(1,789,794)**	(287,835)
Gross profit		**652,824**	187,243
Operating expenses:			
Fulfilment		**(338,763)**	(67,768)
Sales and marketing expenses		**(201,094)**	(113,090)
Administrative expenses		**(121,251)**	(95,740)
Product development expenses		**(126,220)**	(108,580)
Other income and gains	4	**52,393**	17,354
Other expenses		**(11,855)**	(24,679)
Finance costs		**(10,126)**	(6,886)
Share of profits or losses of:			
Joint ventures		**7,949**	9,480
Associates		**998**	(4,433)
LOSS BEFORE TAX	5	**(95,145)**	(207,099)
Income tax expense	6	**(13,889)**	(1,554)
LOSS FOR THE YEAR		**(109,034)**	(208,653)
Attributable to:			
Owners of the parent		**(106,974)**	(207,626)
Non-controlling interests		**(2,060)**	(1,027)
		(109,034)	(208,653)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	7	**RMB(1.16) cents**	RMB(2.54) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

Year ended March 31, 2018

	2018	2017
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(109,034)**	(208,653)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income may be reclassified to profit or loss in subsequent periods:		
Translation from functional currency to presentation currency	**(69,750)**	62,550
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(69,750)**	62,550
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(178,784)**	(146,103)
Attributable to:		
Owners of the parent	**(176,724)**	(145,076)
Non-controlling interests	**(2,060)**	(1,027)
	(178,784)	(146,103)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
March 31, 2018

	Notes	**March 31, 2018** *RMB'000*	March 31, 2017 *RMB'000*
NON-CURRENT ASSETS			
Property and equipment		**6,274**	5,065
Goodwill		**19,123**	19,123
Investments in joint ventures		**62,593**	42,644
Investments in associates		**950,973**	524,801
Long-term receivables		**55,921**	54,304
Pledged deposits		**—**	222,848
Total non-current assets		**1,094,884**	868,785
CURRENT ASSETS			
Inventories		**442,231**	151,505
Trade receivables	8	**91,373**	38,501
Prepayments, deposits and other receivables		**78,924**	39,835
Financial asset at fair value through profit or loss		**4,100**	10,300
Restricted cash		**2,268**	914
Cash and cash equivalents		**1,397,197**	569,860
Total current assets		**2,016,093**	810,915
CURRENT LIABILITIES			
Trade payables	9	**323,310**	125,862
Other payables and accruals		**137,629**	189,462
Deferred revenue		**716**	—
Advance from customers		**111,160**	38,148
Tax payable		**7,423**	—
Total current liabilities		**580,238**	353,472
NET CURRENT ASSETS		**1,435,855**	457,443
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,530,739**	1,326,228

	March 31, 2018 RMB'000	March 31, 2017 RMB'000
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	—	200,000
Deferred tax liabilities	**7,682**	6,566
Total non-current liabilities	**7,682**	206,566
Net assets	**2,523,057**	1,119,662
EQUITY		
Equity attributable to owners of the parent		
Share capital	**86,617**	72,481
Treasury shares	**(5,474)**	(91)
Reserves	**2,499,105**	1,105,446
	2,580,248	1,177,836
Non-controlling interests	**(57,191)**	(58,174)
Total equity	**2,523,057**	1,119,662

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended March 31, 2018

		Attributable to owners of the parent												
	Note	Share capital RMB'000	Share premium account RMB'000	Treasury shares RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Employee share-based compensation reserve RMB'000	General reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At April 1, 2017		72,481	1,907,220*	(91)	—	25,037*	77,335*	83,410*	104,282*	13,468*	(1,105,306)*	1,177,836	(58,174)	1,119,662
Loss for the year		—	—	—	—	—	—	—	—	—	(106,974)	(106,974)	(2,060)	(109,034)
Other comprehensive loss for the year:														
Translation from functional currency to presentation currency		—	—	—	—	—	—	(69,750)	—	—	—	(69,750)	—	(69,750)
Total comprehensive loss for the year		—	—	—	—	—	—	(69,750)	—	—	(106,974)	(176,724)	(2,060)	(178,784)
Issue of new shares		3,672	1,465,002	—	—	—	—	—	—	—	—	1,468,674	—	1,468,674
Issue of new shares for restricted share units		164	—	(164)	—	—	—	—	—	—	—	—	—	—
Issue of new shares for acquisition under common control		10,300	3,821,342	—	(3,828,605)	—	—	—	—	—	—	3,037	—	3,037
Purchase of shares by Share Award Scheme Trust		—	—	(13,129)	—	—	—	—	—	—	—	(13,129)	—	(13,129)
Share-based compensation expenses	10	—	—	—	—	—	—	—	117,034	—	—	117,034	—	117,034
Vested awarded shares transferred to employees		—	61,955	7,910	—	—	—	—	(69,865)	—	—	—	—	—
Transfer of share-based compensation reserve of options lapsed after vesting date		—	—	—	—	—	—	—	(8,971)	—	8,971	—	—	—
Capital contribution from a non-controlling shareholder of a subsidiary		—	—	—	—	—	—	—	—	—	—	—	3,000	3,000
Deemed interest in an interest-free loan to a non-wholly owned subsidiary		—	—	—	—	(43)	—	—	—	—	—	(43)	43	—
Share of capital reserve of an associate		—	—	—	—	3,563	—	—	—	—	—	3,563	—	3,563
At March 31, 2018		86,617	7,255,519*	(5,474)	(3,828,605)*	28,557*	77,335*	13,660*	142,480*	13,468*	(1,203,309)*	2,580,248	(57,191)	2,523,057

* These reserve accounts comprise the consolidated reserves of RMB2,499,105,000 (March 31, 2017: RMB1,105,446,000) in the consolidated statement of financial position.

Year ended March 31, 2017

	Note	Share capital RMB'000	Share premium account RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Employee share-based compensation reserve RMB'000	General reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-Controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the parent											
At April 1, 2016		72,305	1,863,621	—	33,979	77,335	20,860	37,472	13,468	(897,680)	1,221,360	(66,089)	1,155,271
Loss for the year		—	—	—	—	—	—	—	—	(207,626)	(207,626)	(1,027)	(208,653)
Other comprehensive income for the year:													
Translation from functional currency to presentation currency		—	—	—	—	—	62,550	—	—	—	62,550	—	62,550
Total comprehensive income/(loss) for the year		—	—	—	—	—	62,550	—	—	(207,626)	(145,076)	(1,027)	(146,103)
Share-based compensation expenses	10	—	—	—	—	—	—	110,324	—	—	110,324	—	110,324
Exercise of share options		—	249	—	—	—	—	(79)	—	—	170	—	170
Vested awarded shares transferred to employees		85	43,350	—	—	—	—	(43,435)	—	—	—	—	—
Issue of shares		91	—	(91)	—	—	—	—	—	—	—	—	—
Deemed interest in an interest-free loan to a non-wholly owned subsidiary		—	—	—	(8,942)	—	—	—	—	—	(8,942)	8,942	—
At March 31, 2017		72,481	1,907,220	(91)	25,037	77,335	83,410	104,282	13,468	(1,105,306)	1,177,836	(58,174)	1,119,662

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(95,145)**	(207,099)
Adjustments for:			
Share of profits of joint ventures		**(7,949)**	(9,480)
Share of (profits)/losses of associates		**(998)**	4,433
Bank interest income	4	**(13,206)**	(11,567)
Other interest income	4	**(1,617)**	(404)
Fair value loss on financial asset at fair value through profit or loss	5	**6,200**	—
Gain on disposal of items of property and equipment	5	**(4)**	(17)
Gain on disposal of a subsidiary	4	**—**	(4,550)
Interest on bank loans	5	**6,393**	6,886
Interest on other loans	5	**3,733**	—
Depreciation	5	**4,508**	4,618
Impairment of trade receivables	5	**1,167**	2,710
Impairment of other receivables	5	**—**	1,706
Impairment of inventories	5	**14,469**	3,565
Write-off of inventories	5	**2,363**	—
Foreign exchange differences, net		**(31,760)**	17,298
Share-based compensation expenses	5	**117,034**	110,324
		5,188	(81,577)
Increase in trade receivables		**(54,039)**	(41,105)
Increase in prepayments, deposits and other receivables		**(36,521)**	(16,833)
Increase in inventories		**(307,558)**	(152,176)
Increase in trade payables		**197,448**	121,464
Increase in other payables and accruals		**54,024**	26,728
Increase/(decrease) in deferred revenue		**716**	(86,873)
Increase/(decrease) in advance from customers		**73,012**	(1,730)
Increase in restricted cash		**(1,354)**	(614)
Exchange differences		**(9,513)**	(2,349)
Cash used in operations		**(78,597)**	(235,065)
Interest received		**8,836**	9,088
Dividend received from an associate		**4,839**	—
Income taxes paid		**(5,350)**	(269)
Net cash flows used in operating activities		**(70,272)**	(226,246)

	2018	2017
	RMB'000	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property and equipment	**(5,731)**	(2,140)
Proceeds from disposal of items of property and equipment	**13**	76
Decrease/(increase) in pledged time deposits	**222,848**	(222,848)
Acquisition of subsidiaries	**—**	(19,675)
Increase in financial asset at fair value through profit or loss	**—**	(10,300)
Subscription of new shares in associates	**(527,166)**	(320,255)
Capital injection of a joint venture	**(12,000)**	—
(Increase)/decrease of time deposits with original maturity of over three months	**(888,778)**	416,390
Net cash flows used in investing activities	**(1,210,814)**	(158,752)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of options	**—**	170
Issue of new shares	**1,468,674**	—
Repurchase of shares	**(13,129)**	—
Bank loans and other loans	**595,931**	200,000
Repayment of bank loans and other loans	**(795,931)**	(735)
Interest paid	**(10,428)**	(6,584)
Capital contribution from a non-controlling shareholder of a subsidiary	**3,000**	—
Net cash flows from financing activities	**1,248,117**	192,851
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(32,969)**	(192,147)
Effect of foreign exchange rate changes	**(28,472)**	47,589
Cash and cash equivalents at beginning of year	**569,860**	714,418
CASH AND CASH EQUIVALENTS AT END OF YEAR	**508,419**	569,860

	2018	2017
	RMB'000	*RMB'000*
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**288,910**	145,225
Non-pledged time deposits with original maturity of three months or less when acquired	**219,509**	424,635
Non-pledged time deposits with original maturity of over three months	**888,778**	—
Cash and cash equivalents as stated in the consolidated statement of financial position	**1,397,197**	569,860
Non-pledged time deposits with original maturity of over three months when acquired	**(888,778)**	—
Cash and cash equivalents as stated in the consolidated statement of cash flows	**508,419**	569,860

1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for a financial asset at fair value through profit or loss, which has been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Certain comparative amounts in preceding year's consolidated financial statements have also been reclassified to conform with the current year's presentation.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group had no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group had no disposal group held for sale as at March 31, 2018.

3. OPERATING SEGMENT INFORMATION

The Group is primarily engaged in self-operated healthcare product sales, the provision of e-commerce platform services, which includes providing maintenance related software services to Blue Cap Health Food merchants on Tmall.com and providing outsourced and value-added services to Zhejiang Tmall Network Co., Ltd.^ (浙江天貓網絡有限公司) and Zhejiang Tmall Technology Co., Ltd.^ (浙江天貓技術有限公司, together with Zhejiang Tmall Network Co., Ltd.^ hereinafter referred to as "Tmall Entities"), the provision of tracking services principally for the drug industry in the PRC, the construction of a medical services network and other innovative healthcare related services. Given that the chief operating decision maker of the Company considers that the Group's business is operated and managed as a single segment, accordingly, no segment information is presented.

4. REVENUE AND OTHER INCOME

The Group is primarily engaged in self-operated healthcare product sales, E-commerce platform services, tracking services and innovation healthcare related services in the PRC.

An analysis of revenue, other income and gains is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue		
Self-operated healthcare product sales	**2,149,107**	313,686
E-commerce platform services	**171,079**	40,341
Tracking services	**24,353**	96,305
Innovation healthcare related services and others	**98,079**	24,746
	2,442,618	475,078

	2018	2017
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**13,206**	11,567
Other interest income	**1,617**	404
Government grant#	**5,326**	—
Gain on disposal of a subsidiary*	**—**	4,550
Gain on disposal of items of property and equipment	**4**	17
Foreign exchange difference, net	**31,765**	—
Others	**475**	816
	52,393	17,354

\# Government grant has been received for incentive in certain regions in Mainland China in which the Company's subsidiaries operate.

* 廣東天圖科技有限公司 (Guangdong Grand Cycle Technology Company Limited^) ("Grand Cycle"), a wholly-owned subsidiary of the Group, was engaged in software development and system integration services. Grand Cycle was disposed of during the year ended March 31, 2017 for a cash consideration of RMB30,000.

5. LOSS BEFORE TAX

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

	2018	2017
	RMB'000	*RMB'000*
Auditor's remuneration	**1,228**	1,144
Cost of goods sold*	**1,711,194**	249,856
Cost of services provided* (excluding employee benefit expense and share-based compensation expenses)	**53,755**	33,241
Interest on bank loans**	**6,393**	6,886
Interest on other loans**	**3,733**	—
Depreciation	**4,508**	4,618
Gain on disposal of items of property and equipment	**(4)**	(17)
Minimum lease payments under operating leases for office buildings	**13,347**	11,965
Impairment of trade receivables***	**1,167**	2,710
Impairment of other receivables***	**—**	1,706
Impairment of inventories*	**14,469**	3,565
Write-off of inventories***	**2,363**	—
Fair value loss on financial asset at fair value through profit or loss***	**6,200**	—
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**145,403**	102,878
Bonuses	**46,752**	27,485
Pension scheme contributions#	**14,350**	9,993
Share-based compensation expenses	**117,034**	110,324
	323,539	250,680
Foreign exchange differences, net****	**(31,765)**	19,761

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

** These items are included in "Finance costs" in the consolidated statement of profit or loss.

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

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

At March 31, 2018, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2017: Nil).

6. INCOME TAX

	2018	2017
	RMB'000	*RMB'000*
Current — Mainland China		
Charge for the year	**12,773**	1,738
Underprovision in prior years	**—**	269
Deferred	**1,116**	(453)
Total tax charge for the year	**13,889**	1,554

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 year (2017: Nil).

In general, the PRC subsidiaries of the Group are subject to the PRC corporate income tax rate of 25% except for two PRC subsidiaries which are entitled to a preferential tax rate at 15% for the three years ending September 8, 2018 and ending December 22, 2019, respectively.

Deferred income tax represents the withholding tax on the distributable profits of the Group's PRC associate and joint venture.

7. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of RMB106,974,000 (2017: RMB207,626,000), and the weighted average number of ordinary shares of 9,188,229,561 (2017: 8,178,983,926) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended March 31, 2018 and 2017 in respect of a dilution as the impact of the share options and RSUs outstanding had no dilutive effect on the loss per share amounts presented.

8. TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**79,556**	63,904
Bills receivable	**38,387**	—
	117,943	63,904
Impairment	**(26,570)**	(25,403)
	91,373	38,501

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

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

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**86,531**	38,501
3 to 12 months	**4,842**	—
	91,373	38,501

9. TRADE PAYABLES

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

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**274,628**	125,079
3 to 12 months	**45,438**	4
Over 12 months	**3,244**	779
	323,310	125,862

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

10. SHARE-BASED COMPENSATION COSTS

Share award scheme

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

Share options and RSUs granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. All grants of share options and RSUs to connected persons shall be subject to compliance with the requirements of the Listing Rules, including the prior approval of the shareholders according to Chapter 14A of the Listing Rules. For the avoidance of doubt, any grant of share options to any connected person of the Company is fully exempted from the compliance with Chapter 14A of the Listing Rules pursuant to Rule 14A.92 of the Listing Rules. Any grant of RSUs to any connected person of the Company will constitute a connected transaction of the Company and shall therefore be subject to compliance with Chapter 14A of the Listing Rules (unless an exemption applies).

In addition, any share options and RSUs granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer and (iii) the nominal value of the shares.

The total number of shares in respect of which Awards may be granted under the Share Award Scheme and any other share award schemes of the Company shall not exceed 3% of the shares in issue as at the Adoption Date (the "Scheme Mandate Limit"), or 3% of the shares in issue as at the new approval date of the renewed Scheme Mandate Limit. There is no other restrictions specified under Chapter 17 of the Listing Rules on the maximum number of shares to be granted to each eligible participants under the Share Award Scheme.

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

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

	Weighted average exercise price of share options *HK$ per share*	**Number of options** *'000*	**Number of RSUs** *'000*
Outstanding at April 1, 2016	5.21	32,185	19,344
Granted during the year	5.09	35,888	43,395
Forfeited during the year	5.32	(9,334)	(8,073)
Exercised or vested during the year	5.18	(38)	(9,752)
Outstanding at March 31, 2017 and April 1, 2017	5.12	58,701	44,914
Granted during the year	3.99	**30,988**	**56,162**
Forfeited or lapsed during the year	4.99	**(11,845)**	**(13,699)**
Exercised or vested during the year	—	**—**	**(16,722)**
Outstanding at March 31, 2018	4.69	**77,844**	**70,655**

The weighted average grant date fair value per unit for options at March 31, 2018 was RMB2.20 (2017: RMB2.33) and the weighted average grant date fair value per unit for RSUs at March 31, 2018 was RMB3.15 (2017: RMB4.32).

For share options outstanding at the end of the reporting period, the exercise prices ranged from HK$3.610 to HK$5.558. The exercise period of the options is from the vesting date to 10 years from the grant date. As at March 31, 2018, the remaining vesting periods for the options and RSUs granted ranged from 1 month to 46 months (2017: 1 month to 46 months).

The fair value of share options granted during the year 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:

	Options granted in 2018	Options granted in 2017
Fair value of the Company's shares as at the grant date	**HK$3.58–HK$4.01**	HK$3.57–HK$5.39
Expected volatility *(%)*	**65**	70
Expected dividend *(%)*	**0.00**	0.00
Exercise multiple	**2.2–2.8**	2.2–2.8
Exercise price	**HK$3.686–HK$4.40**	HK$3.61–HK$5.558
Risk-free interest rate *(%)*	**1.15**	0.94–1.31
Forfeiture rate *(%)*	**20–30**	20–30

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

The fair values of the RSUs granted during the years ended March 31, 2018 and March 31, 2017 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:

	2018	2017
	RMB'000	*RMB'000*
Cost of revenue	**2,533**	956
Sales and marketing expenses	**30,159**	36,243
Administrative expenses	**49,877**	34,842
Product development expenses	**28,753**	36,405
Fulfilment	**5,712**	1,878
Total	**117,034**	110,324

At the end of the reporting year, the Company had approximately 77,844,350 options and 70,654,847 RSUs outstanding under the Share Award Scheme. The exercise in full of the outstanding options and RSUs would, under the present capital structure of the Company, result in the issue of approximately 123,204,326 additional ordinary shares of the Company and additional share capital of HK$1,232,043 (equivalent to approximately RMB1,043,799) (before issue expenses), the purchase of 7,526,300 existing shares from the market and release of 17,768,571 shares from treasury shares. The purchase of 7,526,300 existing shares was for RSUs to be vested, which are held by connected persons of the Group.

At the date of approval of these financial statements, the Company had approximately 76,478,850 share options and 56,934,776 RSUs outstanding under the Share Award Scheme, which represented approximately 1.36% of the Company's shares in issue as at that date.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2017, China's economy remained stable with an upward trend and China's gross domestic product increased by 6.9% year-on-year. China's economic development shifted from high-speed growth to high-quality advancement and the Chinese government strongly implemented innovative growth strategies. The deepening integration of the Internet, big data and AI with the real economy has promoted the optimization and upgrade of traditional industries. Meanwhile, the upgrading of consumer demand towards discretionary items has also effectively stimulated economic growth.

"Healthy China (健康中國)" is a key strategy for the next stage of China's development. As China's medical and healthcare system reforms continued to intensify, medical and healthcare reform policies were rolled out successively. In 2017, the State Council cancelled the Type A, B and C licences for Internet drug trading, signifying China's relaxation of entry barriers to allow enterprises to expand into the pharmaceutical e-commerce sector more easily. In December 2017, the promulgation of the Measures for the Supervision and Administration of Online Sale of Medical Devices^ (《醫療器械網絡銷售監督管理辦法》) by the former China Food and Drug Administration (the "**CFDA**") provided a legal basis for the development of online sales of medical devices, facilitating the healthy and orderly development of the industry and the growth of compliant enterprises. The institutional reform of the State Council in March 2018 further rationalized the top-level structure for pharmaceutical and medical regulation. Based on the original three-pronged medical system, a high-level integration was undertaken to bring closely related functions that could create positive synergies together, laying a good foundation for further reforms. On April 12, 2018, it was determined at the executive meeting of the State Council that the development of "Internet + Healthcare" should be accelerated to improve the efficiency of medical services, so that patients could be subject to less running around and more people could share premium medical resources. First, the provision of online services such as consultation appointment booking and check-up results enquiry in class 2 or higher hospitals should be expedited and medical institutions should be allowed to start providing Internet-based medical services. Second, remote medical services should be developed to cover all medical associations and county-level hospitals, the allocation or sharing of premium medical resources in East China to meet the needs of central and western regions in China should be encouraged, and a dedicated Internet channel should be established to cater for the requirements of remote medical services. Third, "smart" review and approval of medical insurance claims and "one-stop" settlement should be promoted to create a complete standardized "Internet + Healthcare" system.

China's pharmaceutical market has been flourishing in a healthy and stable manner, driven by growth in GDP, greater spending power, an aging population, urbanization and upgrade of consumption structure. Despite increasingly intense competition, China's pharmaceutical distribution industry is expected to become more regulated and concentrated as medical reforms mainly aimed at the "separation of drug dispensation from drug prescription" continue to be implemented. There is huge room for growth and industrial integration in China's pharmaceutical distribution industry. In respect of medical and healthcare services, with the widening imbalance between the growing demands of citizens and the limited supply of medical and healthcare resources, the application of Internet and digital technologies (including remote medical treatment, digital healthcare products, big data, and AI) in the medical field presents new ways to improve diagnosis and treatment efficiency, facilitate personal health management and help prevent and diagnose disease at an earlier stage, to effectively mitigate such imbalance. The business opportunities brought about by various innovative models will also drive the future growth of the industry. Overall, the pharmaceutical and healthcare industry will be one of the sectors with the greatest growth potential in the future.

BUSINESS REVIEW

As the pharmaceutical and healthcare flagship of Alibaba Group Holding Limited ("**Alibaba Holding**", together with its subsidiaries, "**Alibaba Group**"), the Group, whose mission is to "make good health achievable at the fingertips", has been strengthening the foundation of its pharmaceutical and healthcare businesses and actively planning for its future. With the vision of "facilitating medicine through big data and using the Internet to change the face of healthcare to provide fair, affordable and accessible medical and healthcare services to 1 billion people", the Group has been striving to expand its healthcare product and service sales business, actively build up Internet-based medical services and personal health management platform, explore intelligent medicine by using AI and big data analysis technologies, and continue to develop its product tracking business.

- **Healthcare product and service sales business**

  The Group has been actively utilizing Internet technologies to build an omni-channel healthcare product and service supply and new retail system that covers the whole industry chain.

  Capitalizing on its established online platform strengths and its understanding of the market and users, the Group connects upstream industry chain players (e.g. manufacturers and leading distributors) to offline pharmaceutical retail chains to facilitate product circulation along the whole chain and strives to offer quality products and services to downstream players and consumers at competitive prices. A comprehensive supply system helps to boost efficiency in the supply chain by bringing manufacturers, distributors and consumers closer together so that manufacturers can deliver their professional services more directly to consumers.

Such enhanced connection is conducive to satisfying consumer needs and exploring and creating new consumption demand. During the year, the Group established good relationships with many pharmaceutical, nutritional health and healthcare supplement manufacturers, as well as leading pharmaceutical distributors in China, who are our important business partners.

Meanwhile, the Group continued to explore the new retail concept for pharmaceutical sales, focusing on consumer needs to establish a one-stop health consumption service platform catering to specific consumer groups and scenarios. The platform provides consumers with a wide variety of healthcare products, contents and convenient services, offering an online and offline integrated high-quality consumer experience.

Self-operated healthcare product sales

During the year, revenue from the Group's self-operated healthcare product sales business reached RMB2,149.1 million, with the Group's self-operated online stores (AliHealth Pharmacy^ (阿里健康大藥房), AliHealth overseas flagship store and AliHealth flagship store) accumulating more than 15 million annual active consumers. Revenue from online self-operated stores sales showed impressive growth, fueled by the Group's operational and brand strengths as well as its business team's effective execution. Meanwhile, there were also significant improvements in the performance and capability of our warehousing, logistics, customer service and other supporting systems and services, which facilitated better quality control over products and services as well as a deeper understanding of the specific demands of different consumer groups.

E-commerce platform services

During the year, the Group continued to provide outsourced and value-added services, including merchant business development, customer services for merchants and technical support, for certain pharmaceutical-related categories (including drugs, medical devices, contact lenses, family planning products, and medical and healthcare services) on the Tmall platform for which it charged service fees. Given the rising awareness of nationals towards healthcare consumption, the continued strong growth of Tmall's e-commerce platform for pharmaceutical categories resulted in stable and fast growth of service income of the Group.

During the year, the Group also acquired the health food category e-commerce platform services business from Alibaba Group. Given that the penetration rate of, and per capita spending on, healthcare products in China have remained far lower than those of countries such as the US and Japan, as Chinese disposable income continues to rise, awareness of consumption on healthy living continues to grow and standardization of the Chinese healthcare product market continues, the market still shows potential and trend for continued rapid growth.

Through the Group's operation of e-commerce platform service business, the GMV of Tmall Pharmacy (天猫醫葯館) reached nearly RMB40 billion, of which the GMV of Tmall's pharmaceutical categories in respect of which the Group provided outsourced and value-added services and the GMV of the health food category e-commerce platform services business acquired from Alibaba Group in 2017 exceeded RMB30 billion in aggregate.

Future prospects

With the innovation of technologies such as mobile Internet and Internet of Things and changes in Chinese consumption concepts, the new retail model which reconstructs business elements such as people, goods and markets is changing the shopping habits of consumers. Alibaba Group has been implementing the new retail model in various fields by integrating online and offline services to realize an effective communion of merchandise, membership, transaction and marketing data, to provide customers with a seamless cross-channel shopping experience and Alibaba Health has been following suit. By creating an integrated online and offline pharmaceutical ecology, and allowing for membership, merchandise and marketing data to be combined, Alibaba Health is working to connect to users in a comprehensive and personalized manner through technologically driven business innovation, and thereby gradually exploring its own direction towards the new retail model concept. In addition, Alibaba Health will continue to focus on addressing the problems faced by consumers when purchasing medical and healthcare products and services, and improving product and service quality control to enhance user experience, and will strive to build the best and most reliable healthcare product and service platform for consumers.

- **Internet-based medical services and personal health management platform**

  During the year, the Group established Alibaba Health Network Hospital Limited^ (阿里健康網絡醫院有限公司) in Guangzhou which obtained the medical institution business license. Based on this, the Group actively organized professionals such as medical practitioners and pharmacists to provide multi-faceted, multi-level, professional and convenient health consultation services and guidance for users of the Taobao, Tmall, Alipay and AliHealth mobile applications. As at the end of the year, nearly 23,000 medical practitioners, pharmacists and nutritionists, had signed up with the Group to provide online health consultation services to users, providing an average of more than 50,000 consultation sessions daily by working through shifts. At the same time, the Group also sought to introduce AI during the consultation service process to further enhance consultation efficiency and user experience.

  The Group also actively built a personal health management platform based on automatic analysis of online and offline personal health data authorized by users to form personal health records and health indicators in order to provide users with personalized medical services and full-cycle health management. The Group is responsible for operating the medical and health segment in a number of applications for Alibaba Group. For instance, the Group is responsible for operating the "My Health" service under in the Taobao mobile application. During the year, the number of active users who had used the "My Health" service reached 28 million. The Group also cooperated with third-party agencies to provide users with weight reduction, exercise management, childcare and health preservation tools. During the year, the Group also collaborated with various medical and health service organizations to launch a vaccination service platform, conducted disease education for the public and provided free online consultation services. Users could also look up online the telephone number, address and working hours of vaccination agencies near to them. As at the end of the year, the Group's vaccination service platform covered more than a thousand vaccination service points across more than a hundred cities, and provided vaccination education to nearly 200 million people, thereby providing the public with a new and convenient disease prevention service experience. During the year, the Group took the lead in setting up Beijing Yizhilu Artificial Intelligence Medical Information Technology Research Institute^ (北京醫知鹿人工智能醫療信息技術研究院) and brought together various parties to jointly build a health knowledge platform to provide professional and comprehensive health guidance and disease education to users as public service.

Future prospects

China is still facing the problems of a lack of high-quality primary care services as well as the scarcity and uneven distribution of quality medical resources. The intervention of Internet and mobile technologies in the traditional medical services market can promote better utilization of medical resources and reduce costs and time spent by patients for treatment. In April 2018, the executive meeting of the State Council considered and adopted the Opinions on Promoting the Development of "Internet + Healthcare"^ (《關於促進「互聯網+醫療健康」發展的意見》). In the field of Internet-based medical services, China is encouraging innovation while making clear the bottom line for supervision and safety, which is conducive to the orderly and healthy development of the sector. The Group will continue to expand the breadth and depth of Internet-based medical services that it provides. Furthermore, the Group will also examine in detail and comply with China's administrative measures for Internet diagnosis and treatment, ensure the safety and quality of the services provided, uphold data security and personal privacy, and provide citizens with multi-level and diversified Internet medical and healthcare services in an innovative yet compliant manner.

An ounce of prevention is worth a pound of cure. Through good health management and proactive prevention, we seek to control diseases from the source and reduce or even eliminate the risk of falling ill. This is the fundamental way to effectively ensure the well-being of the people and to save social resources. The Group is cooperating with various parties to build a health knowledge map to provide users with professional and comprehensive health guidance. The Group will also continue to expand beyond its current business scope and cooperate with like-minded parties to provide users with more personalized, professional and intelligent health management solutions. Using data accumulated through the provision of a wide variety of services and leveraging upon our data analysis capabilities, the Group aims to establish a personalized electronic health record for the public and promote integrated healthcare services throughout the entire life cycle, covering prevention, treatment, rehabilitation and health management.

- **Intelligent medicine**

The Group has been actively cooperating with governments, hospitals, research institutes, colleges and other external organizations to explore the Internet + Healthcare intelligent medicine model, which covers areas such as Internet hospitals, Internet medical associations, medical research platforms, medical education scenario simulation platforms, clinical decision support systems, cloud-based remote imaging platforms and solutions for blockchain data security.

Capitalizing on its strong cloud computing and healthcare big data mining and analytical capabilities and through cooperation with external institutions, the Group is committed to building an AI medical system that will have real-life application and rolled out AI engines for various diseases. During the year, the Group launched its AI medical system "Doctor You", made considerable progress in the development of intelligence engines for image examination and chronic disease screening in areas such as CT pulmonary nodules, diabetes and electroencephalogram, and put them into use in a number of partner institutions.

During the year, the Group signed agreements with more than ten triple-A graded hospitals, including The First Affiliated Hospital of Medical School of Zhejiang University, The Second Affiliated Hospital of Medical School of Zhejiang University and Xin Hua Hospital Affiliated to Shanghai Jiao Tong University School of Medicine, to promote the application of intelligent medicine in the fields of AI research, talent development and smart hospitals. Initiatives under these agreements include: establishing a laboratory for medical AI projects to promote the application of technologies such as AI and data mining in medical rescue and treatment in Zhejiang Province; setting up a national-tier medical talent intelligent training platform that connects medical institutions and private establishments and enterprises across the country to develop an intelligent training management platform for practitioners that provides standardized information and programme-based systematic training; and establishing a model smart hospital, which includes building a mixed hospital cloud platform, a pediatric medical association cloud platform and a medical research data platform, and enabling mobile payments for all hospital services in the hospital.

Future prospects

The Internet, big data and various innovative technologies have created new opportunities to solve the issues facing the medical and healthcare sector. In 2016 and 2017, the State Council issued notices regarding the Guiding Opinions of the General Office of the State Council on Promoting and Regulating the Development of Healthcare Big Data Applications^ (《國務院辦公廳關於促進和規範健康醫療大數據應用發展的指導意見》) and the Development Plan for the New Generation of Artificial Intelligence^ (《新一代人工智能發展規劃》) respectively, stating the need to keep up with the latest developments in information technology and its goals to regulate and promote the integration, sharing and open application of healthcare and medical big data; and identifying AI as a strategic technology for the future, thereby signifying that the Internet + Healthcare campaign is entering the era of cutting-edge technologies such as big data, AI technologies and cloud medical associations. Against this backdrop, the Group aspires to create a closed loop of comprehensive intelligent medical services by linking governments, medical institutions, patients and healthcare professionals through such major products as Internet hospital and AI healthcare solutions with its big data and AI healthcare technologies and services.

In cooperation with its partners, the Group will continue to provide healthcare big data applications and solutions to governments and offer information-based and intelligent solutions for medical institutions of different levels to become a platform through which healthcare information system technology companies can provide their services. The AliHealth platform will empower different participants in the healthcare industry chain by allowing convenient access and high-quality services, to provide consumers with easy access to intelligent medical services.

- **Tracking services**

As disclosed in the Company's annual report for the year ended March 31, 2017 published on June 25, 2017, following the publication by the former CFDA of the Decision of the China Food and Drug Administration Regarding Amendment of the Good Supply Practice for Pharmaceutical Products (CFDA Order No. 28)^ (《國家食品藥品監督管理總局關於修改〈藥品經營質量管理規範〉的決定》(國家食品藥品監督管理總局令第28號)) (Order No. 28), the Company completed the work on the finalization of the product identification, authentication and tracking system for the drug industry (the "**Drug PIATS**") under the former CFDA's direction.

The Chinese government attaches great importance to the construction of product tracking systems and recognizes their importance in enhancing supply chain efficiencies and product quality and safety standards, encouraging circulation transformation, upgrade and innovation, establishing information-based monitoring and regulatory systems, as well as fostering a safe consumption environment. As such, the Group continued to develop its Ma Shang Fang Xin platform. Leveraging on the strong computational and data processing capacity of Alibaba Cloud, such platform is capable of processing mega-sized big data and supporting several hundred thousand corporate users at the same time with its sound compatibility, accessibility and security.

In the pharmaceutical sector, the Group is committed to building Ma Shang Fang Xin into the largest pharmaceutical cloud in China. Through the Internet of Things, the Group will work to bring online, digitize and improve the transparency of, the pharmaceutical supply chain, and to provide basic tools and value-added services to pharmaceutical industry participants for their daily management and online and offline integration. These will include product tracking, channel management, vaccine cold chain tracking, medical insurance premium control and patient management. As at the end of the year, the number of pharmaceutical manufacturers which had signed up and renewed the agreement for product tracking accounted for more than 80% of the total number of pharmaceutical manufacturers in China. Moreover, as part of its charitable initiatives, the Group also leveraged on the "unique code for each object" feature of the Ma Shang Fang Xin system, to work with industry leaders to regularly recover expired drugs for environment protection while preventing expired drugs from falling into the wrong hands.

The customer base of the Ma Shang Fang Xin tracking platform has also expanded beyond the pharmaceutical sector into 20 other product sectors including food, alcohol, nutritional products and healthcare supplements, cosmetics, agricultural produce, fast-moving consumer goods, and the system now covers more than 1,000 stock keeping units ("**SKUs**"). The Group will integrate the e-commerce resources of Alibaba Group and strive to ensure product safety through improving the transparency of supply chain data. Meanwhile, on the back of domestic consumption upgrade and import and export trade expansion, the Group also launched cross-border product tracking services. Merchants directly procure the products from their country of origin and can collect inventory and test report information provided by institutions at that country of origin. Tracking records at key points during the product importation and circulation process are also available to ensure authenticity of the product and its country of origin.

Future prospects

Ensuring drug and food safety for the benefit of the people is an important policy of the Chinese government. During the National People's Congress and Chinese People's Political Consultative Congress held in March 2018, Premier Li Keqiang proposed in the government's report to innovate food and drug supervision methods, pay attention to the use of the Internet and big data to enhance regulatory effectiveness, accelerate the implementation of complete tracking and traceability of information to easily identify defective products and apprehend illegal producers and vendors, for the peace of mind of consumers. The electronic tracking system is an important means for the government to strengthen product safety management for key items such as drugs and food.

The Group will continue to construct the platform for the tracking system based on its platform operation experience accumulated in the past. It will also work with different enterprises, industry organizations and the government to create a healthy ecosystem, expand the functionality of the tracking platform, provide efficient and interactive tools that connect upstream enterprises and downstream consumers, with the goal of developing a safe and reliable information channel between businesses and consumers.

FINANCIAL REVIEW

The key financial figures of the Group for the year ended March 31, 2018 and March 31, 2017 are summarized as follows:

	2018 *RMB'000*	2017 *RMB'000*	Change %
Revenue	**2,442,618**	475,078	414.2
Gross profit	**652,824**	187,243	248.7
Gross profit margin	**26.7%**	39.4%	N/A
Fulfilment	**(338,763)**	(67,768)	399.9
Sales and marketing expenses	**(201,094)**	(113,090)	77.8
Administrative expenses	**(121,251)**	(95,740)	26.6
Product development expenses	**(126,220)**	(108,580)	16.2
Other income and gains	**52,393**	17,354	201.9
Other expenses	**(11,855)**	(24,679)	(52.0)
Finance costs	**(10,126)**	(6,886)	47.1
Operating loss	**(104,092)**	(212,146)	(50.9)
Share of profits of joint ventures	**7,949**	9,480	(16.1)
Share of profits/(losses) of associates	**998**	(4,433)	N/A
Loss for the year	**(109,034)**	(208,653)	(47.7)
Net loss attributable to owners of the parent	**(106,974)**	(207,626)	(48.5)
NON-HKFRS ADJUSTMENTS			
Adjusted net profit/(loss)	**8,000**	(98,329)	N/A

— **Revenue**

Revenue of the Group for the year ended March 31, 2018 amounted to RMB2,442,618,000 (2017: approximately RMB475,078,000), representing an increase of RMB1,967,540,000 or 414.2% as compared to the year ended March 31, 2017. The increase in revenue was mainly attributable to the rapid growth in revenue from self-operated healthcare product sales and e-commerce platform services during the year ended March 31, 2018.

— **Self-operated healthcare product sales**

The Group's self-operated healthcare product sales business comprises the self-operated B2C business and the B2B centralized procurement and distribution business. During the year, the Group proactively enriched its self-operated B2C product offerings. As at the end of the year, the product SKUs for online self-operated stores (AliHealth Pharmacy, AliHealth Overseas Flagship Store and AliHealth Flagship Store) reached over 46,000. As user recognition of the AliHealth self-operated stores continued to grow, the number of active consumers during the year exceeded 15 million. The Group continued to strengthen and refine the management of its self-operated business to offer its customers a more caring shopping experience. In respect of the centralized procurement and distribution business, the Group continued to strengthen its collaboration upstream with premium brand owners to select quality products, expanded its downstream distribution channels, and provided more value-added services to merchants and consumers in the sales process, thereby maintaining steady growth of the business line. During the year, revenue from the self-operated healthcare product sales amounted to RMB2,149,107,000.

— **E-commerce platform services**

Pursuant to the service agreement between the Group and Zhejiang Tmall Network Co., Ltd.^ (浙江天貓網絡有限公司) and Zhejiang Tmall Technology Co., Ltd.^ (浙江天貓技術有限公司) under Alibaba Group, the Group provides merchant business development, customer support, technical support and other outsourced and value-added services for certain pharmaceutical-related categories on the Tmall platform in consideration of certain service fees. In tandem with the steady growth of Tmall's pharmaceutical category e-commerce platform business, the service fee income therefrom remained a significant source of revenue and profit for the Group during the year. In June 2017, the Group acquired the health food category e-commerce platform services business from Alibaba Group. Following such acquisition, the Group provided e-commerce platform services to health food merchants on the Tmall platform in consideration of software service fees from them. During the year, aggregate revenue from both services amounted to RMB171,079,000.

— **Tracking services business**

During the year, the Ma Shang Fang Xin tracking platform grew steadily in terms of customer and industry coverage, and revenue from the tracking business amounted to RMB24,353,000. Last year, revenue from the tracking business, which largely comprised revenue from the operation of the Drug PIATS in China, amounted to RMB96,305,000. The business model of the Ma Shang Fang Xin tracking platform is different from that of the operation of the Drug PIATS in China, as the Ma Shang Fang Xin tracking platform is focused on providing a wider range of value-added services for patron enterprises, and offering more comprehensive and innovative solutions to both drug and non-drug industries, in a way that will create greater synergies with other businesses of the Group and be accretive to the business as a whole.

— **Innovative healthcare-related services**

Apart from the above businesses, the Group also explored various forms of innovative value-added services in the healthcare sector. For example, the Group provided comprehensive marketing services covering all channels throughout the entire chain to pharmaceutical brand owners. During the year, the Group together with Tmall collaborated with its partners, including China Central Television, to produce an ecological health food documentary named Giving Cycles. With its high-quality content, the documentary was widely broadcasted, reaching an audience of nearly 300 million; it aroused public awareness and interest in traditional nutrition culture and industry, which promoted sales for the merchants in the nutrition category on Tmall. Moreover, the Group worked closely with industry partners to launch a vaccination service platform during the year, and reached a target audience of over 100 million people in the promotion of cervical cancer education and advanced vaccination bookings for its partners. During the year, revenue from these innovative healthcare-related services and projects amounted to RMB98,079,000.

— **Gross profit and gross profit margin**

The Group recorded gross profit for the year ended March 31, 2018 of RMB652,824,000 (2017: approximately RMB187,243,000), representing an increase of RMB465,581,000 or 248.7% as compared to the year ended March 31, 2017. Gross profit margin for the current year was 26.7% as compared to 39.4% for the preceding year. The change in gross profit margin is mainly attributable to the significant changes in the composition of the Group's businesses as compared with the preceding year.

— **Fulfillment**

Warehousing, logistics and customer service expenses incurred by the Group's self-operated healthcare product sales business were included in fulfillment costs. Fulfillment costs for the year ended March 31, 2018 amounted to RMB338,763,000, representing a substantial increase from RMB67,768,000 for the preceding year mainly due to the huge growth in turnover of self-operated online stores.

— **Sales and marketing expenses**

Sales and marketing expenses for the year ended March 31, 2018 amounted to RMB201,094,000, representing an increase of RMB88,004,000 or 77.8% as compared to RMB113,090,000 for the preceding year. Such increase was mainly due to the rise in promotional activities aimed at improving user sophistication and loyalty, meanwhile, the Group increased input in the staffing of its sales function and online medical consultation function.

— **Administrative expenses**

Administrative expenses for the year ended March 31, 2018 amounted to RMB121,251,000, representing an increase of RMB25,511,000 or 26.6% as compared to RMB95,740,000 for the preceding year. Such increase was mainly due to the increase in staff and increased travel expenses arising from business expansion.

— **Product development expenses**

Product development expenses for the year ended March 31, 2018 amounted to RMB126,220,000, representing an increase of RMB17,640,000 or 16.2% as compared to RMB108,580,000 for the preceding year. Such increase was mainly due to the increased headcount of the Company's research and development function. During the year, the Group continued to recruit more information technology engineers in order to expand its Internet-based medical services, as well as to develop its health management platform and intelligent medical analysis engines.

— **Other income and gains**

Other income and gains for the year ended March 31, 2018 amounted to RMB52,393,000, representing an increase of RMB35,039,000 or 201.9% as compared to RMB17,354,000 for the preceding year. Such increase was mainly attributable to the foreign exchange gains of RMB31,765,000 for the year.

— **Finance costs**

Finance costs for the year ended March 31, 2018 amounted to RMB10,126,000, representing an increase of RMB3,240,000 or 47.1% as compared to RMB6,886,000 for the preceding year. Such increase was mainly due to the increase in the principal amount of loans during the current year.

— **Other expenses**

Other expenses for the year ended March 31, 2018 amounted to RMB11,855,000, representing a decrease of RMB12,824,000 or 52.0% as compared to RMB24,679,000 for the preceding year. Such decrease was mainly due to the absence of exchange loss during the year ended March 31, 2018 as compared to the exchange loss of RMB19,761,000 for the preceding year.

— **Share of profits of joint ventures**

Share of profits of joint ventures represented the share of the net operating results of the Group's 49%-owned joint venture, Beijing Honglian 95 Information Industries Company Limited^ (北京鴻聯九五信息產業有限公司) ("**HL95**") and its 40%-owned joint venture Yunnan Jiukang Yixin Information Technology Services Company Limited^ (雲南久康一心信息技術服務有限公司). The share of profits of joint ventures for the year ended March 31, 2018 amounted to RMB7,949,000, representing a reduction of RMB1,531,000 or 16.1% as compared to RMB9,480,000 for the preceding year. Such reduction in share of profits was mainly due to a slight decrease in the profits from the call-centre service business of HL95 as a result of intense market competition.

— **Share of profits of associates**

The Group actively invests in the healthcare sector. Some of the Group's associates are still at an early stage of business development, while some are in the transformation or growth stage. For the year ended March 31, 2018, the Group's share of profits of associates amounted to RMB998,000.

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

For the year ended March 31, 2018, the Group's loss amounted to RMB109,034,000, representing a decrease of RMB99,619,000 or 47.7% as compared to RMB208,653,000 for the preceding year. For the year ended March 31, 2018, the Group's adjusted net profit amounted to RMB8,000,000, while the same indicator for the preceding year is adjusted net loss of RMB98,329,000. The reduction in adjusted net loss was mainly attributable to the Group's market-leading and fast-growing online self-operated healthcare product sales and pharmaceutical e-commerce platform services businesses. The Group's increasing profitability in the above areas will enable the Group to increase investment in AI-related medical fields, as well as the launch and deployment of cutting-edge and innovative products, including intelligent medicine, Internet-based medical services and personal health management.

To supplement the Group's consolidated financial statements presented in accordance with Hong Kong Financial Reporting Standards, the Group has also reported its adjusted net profit, which is not required under, or presented in accordance with, HKFRS, as an additional financial indicator. We believe that such non-HKFRS indicator is conducive to the comparison of operating performance across different periods and between different companies by eliminating the potential impact of items which are, in the view of our management, not indicative of our operating performance. We believe that such indicator provides investors and other parties with useful information which would enable them to understand and evaluate our consolidated operating results in the same manner as our management does. However, the adjusted net profit presented by us may not be comparable to similar indicators presented by other companies. Such non-HKFRS indicator is subject to limitations as an analytical tool and should not be regarded as being independent from or a substitute for the analysis of our operating results or financial positions reported in accordance with HKFRS.

The adjusted net profit/(loss) for the year ended March 31, 2018 and 2017 set out in the table below represent adjustments to the most direct and comparable financial indicator calculated and presented in accordance with HKFRS (i.e., loss for the year):

	For the year ended March 31,	
	2018	2017
	RMB'000	*RMB'000*
Loss for the year	**(109,034)**	(208,653)
Excluding		
— Share-based compensation expenses	**117,034**	110,324
Adjusted net profit/(loss)	**8,000**	(98,329)

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

The financial position of the Group as at March 31, 2018 and the corresponding comparative figures as at March 31, 2017 are summarized as follows:

	March 31, 2018 *RMB'000*	March 31, 2017 *RMB'000*
Current assets	**2,016,093**	810,915
Including		
— Cash and cash equivalents (including fixed deposits with maturity within three months, and mainly denominated in Hong Kong dollars, United States dollars and Renminbi)	**1,397,197**	569,860
— Restricted cash	**2,268**	914
— Trade receivables and other receivables	**143,854**	58,118
Current liabilities	**580,238**	353,472
Current ratio (current assets/current liabilities)	**3.47**	2.29
Quick ratio (cash and cash equivalents and trade receivables/current liabilities)	**2.66**	1.78
Shareholders' equity	**2,580,248**	1,177,836
Gearing ratio (bank loans/shareholders' equity)	**N/A**	N/A

Cash and cash equivalents including fixed deposits with maturity within three months increased by RMB827,337,000 or 145.2% from RMB569,860,000 as at March 31, 2017 to RMB1,397,197,000 as at March 31, 2018. Such increase was mainly due to the issuance of new shares to Alibaba Group by the Group during the year to raise US$226,597,000, where a surplus exists after deducting the investments in associates and the drawdown to finance the operating cash outflow of the Group during the year.

Trade receivables and other receivables increased by RMB85,736,000 or 147.5% from RMB58,118,000 as at March 31, 2017 to RMB143,854,000 as at March 31, 2018. Such increase mainly reflected the increase in receivables from customers of the centralized procurement and distribution business during the year ended March 31, 2018.

The increase in current and quick ratios as at March 31, 2018 mainly reflected the increase in cash and cash equivalents described above. The current ratio was 3.47 (March 31, 2017: 2.29) and the quick ratio was 2.66 (March 31, 2017: 1.78).

Shareholders' equity increased by RMB1,402,412,000 or 119.1% from RMB1,177,836,000 as at March 31, 2017 to RMB2,580,248,000 as at March 31, 2018, mainly reflecting the fundraising from issuance of new shares to Alibaba Group during the year.

The balance of the Group's outstanding bank loans as at March 31, 2018 amounted to nil and hence no gearing ratio was shown (March 31, 2017: nil).

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 current year. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of our assets, liabilities and other commitments can meet the Group's funding requirements from time to time. Other than a certain amount of bank balances and cash, most of the Group's bank balances and cash are placed in fixed deposits and are denominated in Hong Kong dollars, Renminbi and United States dollars, while other assets and liabilities are mainly denominated in either Hong Kong dollars or Renminbi. The Group changed its presentation currency from Hong Kong dollars to Renminbi starting from the year ended March 31, 2016 to better reflect its operations in the PRC and to be consistent with the internal reporting reviewed by the Directors. The Group does not have a foreign exchange hedging policy but the management will continue to closely monitor exchange rate fluctuations and will take appropriate measures to keep foreign exchange risk exposure to a minimum. The Group does not use any financial instruments for hedging purposes.

EMPLOYEES AND REMUNERATION POLICIES

The number of full-time employees of the Group as at March 31, 2018 was 484 (390 as at March 31, 2017). Total staff costs of the Group for the year ended March 31, 2018 amounted to RMB323.5 million (RMB250.7 million for the year ended March 31, 2017). All staff employed by the Group in Hong Kong participated in the Mandatory Provident Fund Scheme.

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

The Group has also adopted a share award scheme as approved by the shareholders of the Company on November 24, 2014 (the "**Share Award Scheme**"). Pursuant to the Share Award Scheme, the Board may grant awards (the "**Award**") in the form of restricted share units ("**RSUs**") or options to eligible participants, including the Directors, the directors of the Company's subsidiaries, the employees of the Group or any other persons who, as determined by the Board in its absolute discretion, have contributed or will contribute to the Group. Details of the options and RSUs granted, lapsed and outstanding under the Share Award Scheme during the year are set out in note 10 to the condensed consolidated financial statements.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended March 31, 2018 (2017: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

In the opinion of the Board, throughout the year ended March 31, 2018, the Company has complied with the code provisions (the "**Code Provisions**") set out in the Corporate Governance Code under Appendix 14 to the Listing Rules, except in respect of the following matter:

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors of the Company should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Wu Yongming, Mr. Tsai Chung, Joseph*, Ms. Huang Aizhu* and Mr. Kang Kai, being non-executive directors of the Company, and Mr. Yan Xuan and Mr. Luo Tong, being independent non-executive directors of the Company, were not able to attend the special general meeting of the Company held on June 29, 2017; and Mr. Wu Yongming, Mr. Tsai Chung, Joseph, Ms. Huang Aizhu and Mr. Kang Kai were not able to attend the annual general meeting of the Company held on July 26, 2017; Mr. Wu Yongming and Mr. Kang Kai were not able to attend the special general meetings of the Company held on January 4, 2018 and January 26, 2018, respectively and Mr. Kang Kai and Ms. Zhang Yu, a non-executive Director appointed on December 29, 2017, were not able to attend the special general meeting of the Company held on March 29, 2018, due to conflicts of prior scheduled engagements with the meeting times. However, the Company reported to the relevant directors on the items discussed at the general meetings and the feedback from the shareholders.

* Mr. Tsai Chung, Joseph and Ms. Huang Aizhu resigned as non-executive Directors on December 29, 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules (the "**Model Code**") to regulate the dealings of Directors in the Group's securities. In response to specific enquiries by the Company, all directors of the Company have confirmed that they have complied with the Model Code in their securities transactions throughout the year ended March 31, 2018.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended March 31, 2018, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities, except that a trustee of the Share Award Scheme purchased a total of 4,113,700 shares of the Company on the market to satisfy the Awards granted to connected employees of the Company upon vesting.

AUDIT COMMITTEE REVIEW

The Group's annual results for the year ended March 31, 2018 have been reviewed by the Audit Committee. The Audit Committee has also discussed auditing, internal control and financial reporting matters including the review of accounting practices and principles adopted by the Group.

SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended March 31, 2018 as set out in the preliminary announcement have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

DISCLOSURE OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The information as required by Chapter 16 of the Listing Rules will be published on the Stock Exchange's website (http://www.hkex.com.hk) and the website of the Company (http://www.irasia.com/listco/hk/alihealth) in due course.

By Order of the Board
ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED
SHEN Difan
Chief Executive Officer and Executive Director

Hong Kong, May 16, 2018

As at the date of this announcement, the Board comprises eight Directors, of whom (i) one is an executive Director, namely Mr. SHEN Difan; (ii) four are non-executive Directors, namely Mr. WU Yongming, Mr. WANG Lei, Mr. KANG Kai and Ms. ZHANG Yu; and (iii) three are independent non-executive Directors, namely Mr. YAN Xuan, Mr. LUO Tong and Mr. WONG King On, Samuel.

^ *For identification purpose only*