AliHealth
阿里健康

ALIBABA HEALTH
Information Technology Limited
阿里健康信息技術有限公司

(Incorporated in Bermuda with limited liability)

Stock code: 00241

ANNUAL REPORT 2020

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. ZHU Shunyan
(Chairman and Chief Executive Officer)
Mr. WANG Qiang

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

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

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

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

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

AUTHORIZED REPRESENTATIVES
Mr. ZHU Shunyan
Ms. LEW Aishan, Nicole

COMPANY SECRETARY
Ms. LEW Aishan, Nicole

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

AUDITOR
Ernst & Young
Certified Public Accountants

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
17th Floor, Building B, Greenland Center
Hong Tai Dong Jie, Wangjing
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
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS
China CITIC Bank International Limited
The Hongkong and Shanghai Banking
Corporation Limited
China Merchants Bank Co., Ltd.
Bank of Ningbo Co., Ltd.
JPMorgan Chase Bank
Agricultural Bank of China

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

At the end of 2019, the outbreak of COVID-19 pandemic has brought unprecedented and major challenges to people's lives, and has affected the health and livelihoods of people, as well as the economy of China and many countries around the world. However, history has showed us that while every epidemic may cause panic, it also inspires human beings to respond with innovative and brave actions. Shortly after the start of the outbreak, the Chinese government took resolute and forceful counter measures without hesitation to curb the COVID-19 pandemic. Local governments were quick to organize manpower and material resources, whereas medical teams from the rest of the country rushed to Hubei Province almost overnight, as the strengths of the whole country were pooled together to fight this arduous battle against COVID-19.

Confronted by the COVID-19 pandemic, Alibaba Health Information Technology Limited (the "Company" or "Alibaba Health", together with its subsidiaries, the "Group") has always been fully conscious of its social responsibility. With experience in the pharmaceutical and healthcare product sales, and Internet healthcare and digital healthcare, we are proud to have been able to devote our capabilities, technologies and resources to fight against the COVID-19 pandemic. We quickly responded to the situation by introducing various services, such as free online medical consultation for residents in affected area, home delivery of life-saving medicines, psychological assistance for medical staff and family members of patients, medicine home delivery, guidance for COVID-19 Prevention, real-time COVID-19 pandemic information map, "Close Contacts Inquiry" and AI-assisted diagnosis of COVID-19. Alibaba Health worked with those at the frontline of the fight against COVID-19 and at home in China and abroad. We quickly rolled out online health consultations for overseas Chinese, and also invited doctors from China with first-hand experience in fighting the COVID-19 pandemic to join our "Global MediXchange for Combating COVID-19 (GMCC)" platform.

Alibaba Health's Efforts in Combating the COVID-19 Pandemic

Around January 20	Collaborated with online-to-offline (O2O) pharmacies in Wuhan to provide couriers in Wuhan with free masks, and undertook to ensure that Alibaba Health's urgent medicine delivery service would not be suspended due to the Spring Festival holiday and the COVID-19 pandemic
January 21	Published a "COVID-19 Prevention Guideline"
January 22	Launched the "COVID-19 Pandemic Map" service
January 24	Launched free medical consultation service for the Hubei region
January 25	Assisted the Health Communication Office* (健康傳播中心) of the Chinese Center for Disease Control and Prevention in producing and designing a series of promotional materials on COVID-19
January 31	Launched a "Live Q&A with Medical Practitioners" function
January 31	Launched a "Psychological Assistance Hotline" in collaboration with Alipay

CHAIRMAN'S STATEMENT

February 1	Launched the "AliHealth Online Doctor" platform for Beijing
February 2	Under the guidance of the Department of Publicity of National Health Commission of the People's Republic of China, rolled out a bundle of convenient services in cooperation with Health News, Alipay, Amap and UC Browser, such as navigation for outpatient fever clinics
February 6	Launched the "Medicine Home Delivery" service
February 10	Released a free applet for smart community COVID-19 pandemic prevention and control
February 11	Launched the "City-wide Anti-Epidemic Drugs Enquiry" function
February 13	Collaborated with nearly 50 well-known pharmaceutical companies to ensure the continued supply of drugs for chronic diseases during the COVID-19 pandemic
February 13	Launched the service "Registration of Shortage of Drugs" for Hubei Province
February 14	Introduced the function of "Close Contacts Inquiry" for contact tracing of confirmed and suspected cases
February 16	Released the "Proposal on Supporting Hubei with Medication Search Service for Chronic Disease Patients"
February 18	Released the "Medical Visit Guide", which covered more than 300 hospitals in 14 cities
February 21	Assisted a number of hospitals in introducing "Online Renewal of Prescriptions and Dispensary" service, enabling patients to renew their prescriptions and access dispensary service without leaving home
February 25	Collaborated with pharmaceutical companies, logistics companies, volunteers and other partners to deliver life-saving medicine to 13 million chronic disease patients in Hubei
February 26	Launched the "Quality-assured Medicines" program, which enables patients with chronic diseases nationwide to purchase prescription drugs on Tmall's pharmaceutical e-commerce platform ("Tmall's Pharmaceutical Platform")
February 27	Provided online management services for patients with chronic diseases in Zhejiang Province
March 2	Started the "Guaranteed Supply of 10 Million Masks at Low Price" project, through which 3 million low-priced masks were supplied to Hubei Province exclusively on a daily basis

March 8	Worked with Alipay to launch a free online medical consultation service to overseas Chinese
March 13	Connected dozens of primary hospitals to AI-assisted computed tomography (CT) imaging COVID-19 screening technology
March 23	The "Global MediXchange for Combating COVID-19 (GMCC)" platform featured our free online health consultation service targeted at overseas Chinese
March 27 – Present	The "Global MediXchange for Combating COVID-19 (GMCC)" platform organized several webinars, featuring doctors from China sharing their first-hand experience at combating COVID-19 in China with front-line doctors and nurses around the world
March 31	Collaborated with Alibaba Cloud Computing Ltd.* (阿里雲計算有限公司) ("Alibaba Cloud") and Alibaba DAMO Academy to offer COVID-19 AI diagnosis technology, supporting the efforts of hospitals around the globe to fight against COVID-19
April 21	Launched the national nucleic acid testing platform to support the resumption of production and work, which was an innovative measure under Alibaba's Spring Thunder Initiative* (春雷計劃) designed to help society win the final battle against the COVID-19 pandemic

Alibaba Health's ongoing commitment in combating the COVID-19 pandemic has demonstrated its service capabilities and technical strengths developed in the field of healthcare, and is also in line with our 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". Over the past year, we continued to build on the foundation of our healthcare business and to make deployments for the future. On the one hand, we provided consumers with high-quality and affordable pharmaceutical and healthcare products and services, and developed more transparent and convenient medical services settings such as in consumer healthcare and Internet healthcare; on the other hand, leveraging on cloud computing, artificial intelligence and Internet of Things technologies, we explored opportunities to promote the development of the medical industry based on digital information, data and artificial intelligence and to enhance industry efficiency. These continual investments and efforts, coupled with our role as Alibaba Group's flagship healthcare platform, facilitated the integration of our and Alibaba Group's capabilities and technologies in order to support domestic and overseas efforts in combating the COVID-19 pandemic.

CHAIRMAN'S STATEMENT

Apart from the fight against COVID-19, we also made some remarkable achievements in various areas during the last financial year. With the utilization of Internet technologies, we have built an omni-channel for pharmaceutical and healthcare product and service supply and a new retail system that covers the whole industry chain. This established a direct connection with manufacturers and leading distributors and has deepened our cooperation with offline pharmaceutical retail chains, to bring manufacturers, distributors and consumers closer together. The gross merchandise volume (GMV) of Tmall's Pharmaceutical Platform reached RMB83.5 billion, with over 190 million annual active consumers. We continued to explore deeper cooperation with upstream pharmaceutical companies on online channels, thereby realizing our goal of being the first to release certain innovative drugs in our direct drugstores and on our platform. With the introduction of the Chronic Disease Welfare Program* (慢病福利計劃), we are able to provide patients with a series of chronic disease management services such as Cloud-based Medical Consultation* (雲醫生), direct sourcing from pharmaceutical manufacturers and personalized medication guidelines. Our 24/7 30-minute drug delivery service is now available in a total of 14 cities, including Hangzhou, Beijing, Guangzhou, Shenzhen, Wuhan, Shanghai and Chengdu. The Ma Shang Fang Xin* (碼上放心) platform also became the first third-party tracking platform in China to meet the new national vaccine and drug tracking standards. Leveraging on deep learning technology, we have developed a number of AI engines, including those for digital orthodontics, epilepsy, dynamic electrocardiography (DCG) and chronic obstructive pulmonary disease (COPD), which have gradually been promoted and applied at offline medical institutions and on out-of-hospital medical service platforms.

Looking back on the development of the industry over the past year, the Chinese government continued to implement its framework for the Outline of the Healthy China 2030 Plan* (《「健康中國2030」規劃綱要》) to deepen reform in the healthcare segment. With effective from December 1, 2019, the Amendment to the Drug Administration Law of the People's Republic of China* (《中華人民共和國藥品管理法》修訂案) (the "New Drug Administration Law") eliminated the restrictions on the online sales of prescription drugs and adopted the principles of having the same standards for both online and offline business and integrated supervision, while emphasizing the importance of the drug tracking system.

In terms of online consultation services, the State Council issued the Notice of the General Office of the State Council on Publication of the Key Tasks for Deepening the Reform of the Medical and Healthcare System in 2019* (《國務院辦公廳關於印發深化醫藥衛生體制改革2019年重點工作任務的通知》), and the National Healthcare Security Administration issued the Guiding Opinions on Improving the Policies on the Pricing of "Internet+" Medical Services and Medical Insurance Payment* (《關於完善「互聯網+」醫療服務價格和醫保支付政策的指導意見》), which stipulated that the pricing of "Internet+" medical services should be incorporated into the pricing policies of existing medical services for the purpose of uniform management, and that medical insurance reimbursement policies should be applied to qualified "Internet+" medical services in accordance with the principle of equal treatment for both online and offline services.

In addition, the Chinese government issued the Action Plan for Promoting the Quality Development of the Healthcare Industry (2019–2022)* (《促進健康產業高質量發展行動綱要 (2019–2022年)》), and clearly stated in the "Internet+ Healthcare" improvement project that a national health information platform should be built to gradually manage health information big data for the whole population through their entire life cycle. Meanwhile, it was proposed that "Internet + pharmaceutical distribution" should be actively developed by establishing interconnected channels for the real-time sharing of Internet consultation prescription information and retail drug consumption information and by supporting third-party drug delivery for online prescriptions, to accelerate the development of pharmaceutical e-commerce. The "Technological Innovation Project of the Healthcare Industry" proposed to support the development and application of cutting-edge technologies and products, accelerate the application of artificial intelligence technology in assisted interpretation of medical images, assisted clinical diagnosis and multi-dimensional medical data analysis, thereby promoting the realization of tiered healthcare delivery system.

During the COVID-19 pandemic, the Chinese government further issued a series of policies, such as the Opinions on Deepening the Reform of the Medical Insurance System* (《關於深化醫療保障制度改革的意見》), the Guiding Opinions on Promoting "Internet+" Medical Insurance Services During the Prevention and Control of COVID-19 Pandemic* (《關於推進新冠肺炎疫情防控期間開展「互聯網+」醫保服務的指導意見》), and the Implementation Plan for Cultivating the New Economy through the Promotion of the "Cloud Migration and Digitalization" Initiatives* (《關於推進「上雲用數賦智」行動培育新經濟發展實施方案》). These policies expressly showed the Government's recognition of the significant positive social effect of Internet diagnosis and treatment during the COVID-19 pandemic and support for the new model of "Internet + medical service", as well as efforts to incorporate online initial medical consultations and online medicine purchases into the scope for medical insurance reimbursement.

In view of these favorable policies and the rapid development of the industry, Alibaba Health will capitalize on two historical opportunities, namely the separation of prescription and dispensation and sales of prescription drugs outside the hospital, as well as tiered healthcare delivery system based on digital medical information. We will continue to capitalize on the business relating to the pharmaceutical products, FSMPs and other product categories acquired from Alibaba Group, to give full play to our pharmaceutical e-commerce service capabilities to reach hundreds of millions of patients, and further develop our technology in the field of medical systems informatization, digitalization, intelligentization and full-process drug tracking.

Meanwhile, we will continue to coordinate and facilitate healthcare resources among Alibaba Group entities, including Alibaba Cloud, Ant Small and Micro Financial Services Group Co., Ltd.* (浙江螞蟻小微金融服務集團股份有限公司) ("Ant Financial"), Alibaba DAMO Academy and UC Browser, and seize the opportunity to build the "Global MediXchange for Combating COVID-19 (GMCC)" platform. We will promote in-depth cooperation with domestic medical institutions at all levels, develop services that can bring user value to patients and doctors, strengthen our "Internet + medical service" capabilities, while rolling out comprehensive membership services for patients in online drug purchase, online medical treatment and health management, etc.

CHAIRMAN'S STATEMENT

Finally, I would like to take this opportunity to express my sincere gratitude to our shareholders, business partners, users, and all of our staff for their long and unwavering support!

ZHU Shunyan
Chairman and Chief Executive Officer

May 27, 2020

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As the 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 our pharmaceutical and healthcare businesses and actively planning for our 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 pharmaceutical and healthcare product and service sales business, actively expand its Internet-based medical platform, explore digital health through technologies such as cloud computing and big data, and develop its consumer healthcare business.

Pharmaceutical and healthcare omni-channel business

The Group has been actively utilizing Internet technologies to build an omni-channel for pharmaceutical and healthcare product and service supply and a new retail system that covers the whole industry value 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 value 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 serving consumers as well as exploring and creating new consumption demand.

During the year ended March 31, 2020 (the "Reporting Period"), the Group continued to actively expand its cooperation with quality upstream brands and further strengthen its business partnerships with pharmaceutical, nutritional and healthcare product manufacturers and major domestic pharmaceutical distributors. As at the end of the Reporting Period, the Group was authorized to undertake the management of or open more than 80 franchised flagship stores on Tmall's Pharmaceutical Platform, helping them to achieve favorable sales performance on Tmall.

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

  During the Reporting Period, the Group continued its full operation of Tmall's Pharmaceutical Platform. In February 2020, the Company signed a share purchase agreement with Ali JK Nutritional Products Holding Limited ("Ali JK"), a wholly-owned subsidiary of Alibaba Holding, in relation to the acquisition of, among others, relevant categories such as pharmaceutical products and foods for special medical purposes (FSMPs) by issuing new consideration shares of the Company to Ali JK. The transaction was completed in April 2020. On that basis, Alibaba Health currently owns and operates the businesses relating to the categories of medical devices and healthcare products, sexual health and family planning products, contact lenses, health food, FSMPs, as well as medical and healthcare services on Tmall's Pharmaceutical Platform, which have previously been acquired from Alibaba Group. In the meantime, the Group continues to provide outsourced and value-added services for the product categories of nutritional supplements (excluding health food and FSMPs) on Tmall.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the gross merchandise volume (GMV) generated by Tmall's Pharmaceutical Platform as operated by the Group exceeded RMB83.5 billion. Annual active consumers of Tmall's Pharmaceutical Platform (consumers who made one or more actual purchase(s) on Tmall's Pharmaceutical Platform in the past 12 months) exceeded 190 million, with an increase of more than 30 million within the six month period.

During the COVID-19 pandemic, the Group fully participated in anti-epidemic initiatives and did its upmost to fulfill its social responsibilities, sparing no effort to deploy resources to fulfilling consumers' anti-epidemic needs. On February 6, 2020, the Group launched the "Medicine Home Delivery"* (買藥不出門) service firstly on Taobao. It features online medical consultation and prescription and home delivery of medicine, allowing patients with chronic diseases to receive their medicine at home with peace of mind. At the same time, leveraging its popularity and influence in the industry, Alibaba Health partnered with more than 50 well-known pharmaceutical companies both at home and abroad to ensure the continued supply of medicine during the COVID-19 pandemic. In response to the shortage of medicine for chronic disease patients in Hubei Province, the epicenter of the COVID-19 pandemic outbreak in China, Alibaba Health launched the "Drug Shortage Registration" service and published a "Proposal on Supporting Hubei with Medication Search Service for Chronic Disease Patients*" (《火線馳援，湖北慢病找藥倡議書》). Mobilizing the resources of our platform and merchants, we helped patients with chronic diseases and their families who live in areas subject to strict quarantine, and who were running out of medication, to urgently find medicine resources and mobilized our business partners to send life-saving drugs to those patients. As the battle against the COVID-19 pandemic continues, Alibaba Health and Tmall jointly announced the launch of the "Quality-assured Medicine"* (放心購藥) project, aimed at providing convenient medicine delivery to a large number of chronic disease patients nationwide. While ensuring and focusing on anti-epidemic resources, we voluntarily suspended marketing campaigns for non-critical categories, such as sexual health and family planning products, contact lenses, and ordinary medical devices, which to an extent resulted in a negative impact on the GMV growth of the platform. However, we also received recognition and positive feedback from our users for these efforts. The number of active consumers of the Group has increased substantially since the beginning of 2020.

Apart from our active efforts to help consumers fight against the COVID-19 pandemic, we were also engaged in Alibaba's Spring Thunder Initiative* (春雷計劃), trying our best to help SMEs and local governments out of difficulties and to reinvigorate distinctive industries. We further deepened our previous comprehensive cooperation with local governments in Ningxia, Yunnan and other areas, developing five major industry belts of nutritional products, including Chinese wolfberry, ejiao (donkey hide gelatin), bird's nest, ginseng, and panax notoginseng, with remarkable results. Since the beginning of 2020, the GMV of these categories has increased significantly.

The Group is also committed to making strategic deployments in relation to consumption upgrade to meet the diverse product needs of users. In view of increasing healthcare regimen demands from consumers, we have taken the initiative to expand our product portfolio. We have successfully incubated new categories involving dozens of market segments. Those new supplies were widely recognized by consumers and recorded significant growth during the Reporting Period. The Group also continued to focus on identifying and building target consumers, launching and operating projects aimed specifically at various groups, such as employees, families, beauty lovers and health-conscious people, so as to lay a solid foundation for the continued conversion of these groups.

Future prospects

The successful acquisition of the pharmaceutical products categories during the Reporting Period was a significant business progress for Alibaba Health, which not only illustrates the determination of Alibaba Group to operate Alibaba Health as a healthcare flagship platform, but also enables the Group to own core categories in the pharmaceutical industry. The Group will directly benefit from the effect of additional revenue generated from these categories in the future. In addition, the acquisition enables us to interface directly with regulatory authorities for our prescription drug business. It is also a crucial development opportunity for creating an operation model integrating merchants and consumers. The COVID-19 pandemic since the Spring Festival holiday has fueled consumers' virtual behaviors of seeking medical advice and medication online. Moreover, it has accelerated the development of the industry with the introduction of a series of new policies. As an industry leader, we will make active deployment and leverage on the important opportunities for strategic development at present. We will continue to promote and facilitate relevant policies, breakthroughs and innovations, by capitalizing on our branding advantages and operation foundation. We will also continue to focus on the expansion of new users and new categories. On the basis of constantly meeting consumers' differentiated and diversified needs, we will create and enrich the ecosystem of the platform, helping merchants become bigger and stronger, so as to provide endless motivation for sustainable growth.

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

  Based on previous accumulated experiences, the Group continues to explore in-depth the development strategy and path of the new pharmaceutical retail segment. As at March 2020, the 24/7 30-minute drug delivery service was available in a total of 14 cities, including Hangzhou, Beijing, Guangzhou, Shenzhen, Wuhan, Shanghai and Chengdu. At the same time, we launched the "emergency drug delivery" service in more than 140 cities nationwide, and will roll this out to more cities in the future.

  During the COVID-19 pandemic, the Group's online-to-offline (O2O) business team persevered on the anti-epidemic frontlines and overcame various difficulties to continue to provide services during the Spring Festival holiday, ensuring the continued supply of emergency medicine. In response to the common problems of inadequate supply of anti-epidemic products and asymmetric information, we capitalized on our technologies to launch a "City-wide Anti-Epidemic Drug Enquiry"* (疫情防控藥品全城查詢) tool in a number of cities across the country, providing local residents with timely information on the availability of related products in their cities and surrounding areas, which was well received by consumers.

  Based on our accumulated operational experience and capabilities, the Group's O2O prescription drug service was fully launched during the Reporting Period. At the same time, we established an online follow-up consultation system and a compliance system for issuing prescriptions. Through overall coordinated supervision, we have realized compliance for the whole process of online follow-up consultations, prescription and medicine delivery for returning patients. Through linkage with our Internet healthcare business, our O2O business further enabled the pilot program online payment for medical insurance in Quzhou City, Zhejiang Province, thus leading industry development.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group further deepened its cooperation with O2O alliance merchants and upstream brands, achieving end-to-end cooperation with more than 20 brands, such as Dong-E E-Jiao and Yunnan Baiyao, and experimented with the debut of new products within our O2O alliance. These initiatives are intended to cultivate and strengthen consumer recognition, while creating greater value for business partners.

Future prospects

The Group will continue to invest in and explore the new pharmaceutical retail segment. We will continue to ensure the stable provision of our services during the COVID-19 pandemic, while optimizing service experience. Taking this as an opportunity, we will further strengthen consumer education on online medicine purchase, and continually consolidate and expand our target user base. We will also continue to explore innovative cooperation with offline alliance pharmacies and upstream pharmaceutical companies, to help alliance merchants expand their traffic base, reduce costs and increase efficiency. At the same time, we will help pharmaceutical companies reach target users more efficiently. We will leverage online channels for brand-building, product innovation, customer service experience accumulation and capability enhancement. Based on the full launch of our prescription drug O2O business, we will continue to focus on the enhancement of basic capabilities of the prescription drug business. We will continue to promote business innovation such as category expansion on the basis of strengthened infrastructure in terms of supply, distribution, compliance, etc. Against the background of ongoing breakthroughs in industry policies, we will also actively promote the linkage between the O2O business and other segments, including Internet healthcare. We will facilitate the implementation of relevant policies in more regions in China, enriching the range of application scenarios for online “pharmacy, medical care and medical insurance”. We intend to achieve sustainable long-term development on the basis of promoting and leading industry innovation.

- ***Pharmaceutical direct business***

  Through the pharmaceutical direct business, the Group provides customers with a wide range of products with strict quality control, including prescription drugs, over-the-counter (OTC) drugs, health supplements, medical devices, contact lenses and skincare, and is committed to providing customers with better shopping experience and after-sales protection. During the Reporting Period, fueled by the Group’s scientific approach to operation and branding advantages as well as its business team’s efficient execution, the pharmaceutical direct business maintained rapid revenue growth. As at March 31, 2020, our direct online stores (Alibaba Health Pharmacy* (阿里健康大藥房) and Alibaba Health Overseas Flagship Store* (阿里健康海外旗艦店)) accumulated more than 48 million annual active consumers (those who made one or more actual purchase(s) in our direct online stores in the past 12 months).

During the COVID-19 pandemic, the Group's direct business team persevered on the frontline. Faced with the large volume of consultation and drug purchase demands from users, the team actively leveraged on the strengths of our supply chain and on our operational capabilities and built on the "Quality-assured Medicines" project jointly launched by the Group and Tmall to launch the Chronic Disease Welfare Program* (慢病福利計劃). This program gives full play to the capacity reserve and operational experience of our "Super Pharmacy", so as to provide chronic disease patients with a series of chronic disease management services such as Cloud-based Medical Consultation* (雲醫生), direct sourcing from the pharmaceutical manufacturers and personalized medication guidelines. Due to force majeure factors relating to traffic and transport during the COVID-19 pandemic, the direct business was negatively affected by inadequate transport capacity and temporary shortage of some medicines. Fortunately, the overall revenue of the direct business of the Group was less affected by the COVID-19 pandemic, having benefitted from the Group's product portfolio being able to fulfil user demands and from the Group's rapid organizational response. As a result, the Group continued to achieve significant increase in revenue in the fourth quarter of the Reporting Period.

During the Reporting Period, the Group further promoted in-depth online cooperation with upstream pharmaceutical companies. In March 2020, we joined forces with the world-renowned pharmaceutical company GlaxoSmithKline (GSK) to debut their innovative flagship chronic obstructive pulmonary disease (COPD) product in Alibaba Health's direct drugstores and on its platform. Through the Group's traffic base, brand influence, industry-leading technologies and operational capabilities, the accessibility of the GSK products was further enhanced, while meeting the medication and health management needs of many COPD patients.

During the Reporting Period, the Group actively supported China's policy pilot program on the sale of pharmaceutical products on cross-border e-commerce platforms, which was first implemented in Beijing at the end of 2019. Alibaba Health was the first to apply and was approved as a pilot company under the program, and thus gained a unique first-mover advantage.

The Group continued to improve its supporting system rules and service capabilities in warehousing, logistics, customer service, quality control, etc. and achieved significant results. To improve user experience, the Group continued to promote product transformation, reducing the need for further enquires with better managed customer service. With the accelerated development of the pharmaceutical direct business, the Group continued to invest in quality control to ensure safe operation, with implementation of tools such as the rational drug use system and transparent laboratories. In terms of warehousing and logistics, the Group dispatched deliveries from seven warehouses located in five different locations, with next day delivery available to 20 cities across the country. During the Reporting Period, we also completed construction of new customized warehouses for prescription drugs. The establishment and steady improvement of these comprehensive capabilities resulted in a significant increase in the user repurchase rate.

MANAGEMENT DISCUSSION AND ANALYSIS

Future prospects

In December 2019, the *New Drug Administration Law* came into effect, providing strong legal support for the online prescription drug business, as well as a new momentum to the long-term, sustainable and rapid development of the Group's direct business. Alibaba Health's direct drugstores have maintained rapid growth in the past three years of their operation. These encouraging results are attributable to our in-depth understanding of user needs in our direct business, as well as the creation and extension of user value. The Group is actively carrying out product transformation and team upgrading, and is deepening its business deployment in relation to prescription drugs. Through its direct business, it has established a full range of online health management services including consultation, prescription, drug purchase, distribution, medication guidance, health profiling, etc. With membership services such as the Chronic Disease Welfare Program, the Group will further expand its user base and optimize service experience. The Group has also accelerated its cooperation with upstream pharmaceutical companies. Through the Alibaba Health platform, it has enhanced the links between upstream pharmaceutical companies and patients to provide value-added services for pharmaceutical companies, and will continue to expand its business model on that basis.

Medical and healthcare services

- ***Internet healthcare business***

  During the year, the Group leveraged on the previously established Alibaba Health Network Hospital Limited* (阿里健康網絡醫院有限公司) to organize professionals such as medical practitioners, pharmacists and nutritionists to provide multi-faceted, multi-level, professional and convenient health consultation services and guidance for, among others, Taobao, Tmall and Alipay end-users. As at the end of March 2020, over 42,000 medical practitioners, pharmacists and nutritionists had signed up with the Group to provide online health consultation services, of which more than 29,000 of them who attended were chief or associate chief physicians.

  The Group provides an array of medical and healthcare services to users through Alipay and has brought onboard Ant Financial as a shareholder to lay a solid foundation for further comprehensive and in-depth cooperation. Based on its strategic cooperation agreement with Alipay in November 2018, the Group established an exclusive and independent healthcare channel for Alipay users and was fully responsible for managing the healthcare industry partners featured on such channel. As at the end of March 2020, Alipay had over 15,000 contracted medical institutions, including more than 3,900 Class II and Class III hospitals. Moreover, nearly 400 Class III hospitals in 17 provinces across the country had been connected to medical insurance payment services.

During the COVID-19 pandemic, Alibaba Health and Alipay worked closely to actively utilize our platform strengths and technology to help fight against COVID-19. After the outbreak in late January, we launched a number of related services on Alipay, such as "COVID-19 Prevention Guidelines", a "COVID-19 Pandemic Map", and real-time updates of COVID-19 pandemic information. We also actively cooperated with the Chinese Center for Disease Control and Prevention to design and produce anti-epidemic publicity materials, and leveraged to distribute the materials through Alipay and Taobao, using Alibaba's ecological traffic and technical capabilities, so as to assist the government in anti-epidemic publicity and education. For Hubei Province, which was the epicenter of the COVID-19 pandemic in China, we promptly launched a free online medical consultation service on Alipay, as well as a mental health assistance hotline for medical staff and their families. We also expanded the online consultation service to other parts of the country. To assist in the implementation of protection measures to mitigate population mobility risks, we continued to upgrade our products and launched the functions of "Close Contacts Inquiry" and "Medical Visit Guide" on Alipay, helping the Government and hospitals in COVID-19 pandemic prevention and control work, while providing convenient services for consumers at large. In view of the severity of the global COVID-19 pandemic, Alibaba Health again responded swiftly and launched online consultation services for Chinese overseas on Alipay, which were officially recommended by hundreds of Chinese embassies and consulates abroad and widely praised by overseas Chinese groups. Given the launch of a series of services during the COVID-19 pandemic, the number of active users of our healthcare services saw exponential growth. In the first quarter of 2020, the net total number of frequent active users of Alipay's healthcare channel exceeded 390 million.

The Group has been continually working to enhance supply and efficiency using technology to satisfy users' needs for offline treatment, online consultation and convenient healthcare management. During the year, we again made remarkable progress in the area of Internet-based healthcare. In January 2019, the Zhejiang Province Internet Hospital Platform, constructed by Zhejiang Bianque Health Data Technology Co., Ltd.* (浙江扁鵲健康數據技術有限公司) ("Zhejiang Bianque"), a company jointly invested in by the Group and Ant Financial, was officially launched as the first regional Internet hospital platform in China with integrated supervision and service capabilities. As at the end of March 2020, more than 400 medical institutions, including Class IIIA hospitals, were registered on the supervision and service sub-platforms, covering all prefecture-level cities in Zhejiang Province. As a model project of the National Health Commission (NHC), the Zhejiang Province Internet Hospital Platform actively played a pioneering role during the COVID-19 pandemic. At the end of January when the outbreak began, a dedicated channel for free medical consultations was promptly launched on the platform. It not only provided convenient services for residents in Zhejiang Province, but also effectively helped brick-and-mortar hospitals with patient management, thus avoiding cross infections in offline hospital settings. Under the NHC's coordination, guidance and support, the platform utilized its advantages and launched a free consultation channel for Hubei Province, through which free online consultation services were provided for Hubei residents. On that basis, services were then expanded to the entire country.

MANAGEMENT DISCUSSION AND ANALYSIS

As the COVID-19 pandemic developed, Alibaba Health co-sponsored and organized a global initiative to share and exchange medical knowledge about COVID-19. Collaborating with top hospitals and experts with anti-epidemic experience on the "Global MediXchange for Combating COVID-19 (GMCC)" platform and harnessing the power of technology, we facilitated academic sharing and exchange between domestic and foreign medical experts, and further disseminated know-how to more medical workers through the Internet. As at May 15, 2020, the Group had organized 13 webinars for a global audience including several African nations, as well as Indonesia and Sri Lanka. To date, almost 10,000 anti-epidemic doctors in nearly 120 countries and regions had volunteered to join GMCC, which has become the world's largest online anti-epidemic public welfare campaign initiated from China.

We are also constantly accumulating operational experience and using industry-leading technical capabilities to promote breakthroughs in online payment for medical insurance. In October 2019, the "Quzhou Chronic Disease Management Platform" jointly established by Alibaba Health and Quzhou Municipal Government of Zhejiang Province was officially launched, covering for the first time in China the full process of "Internet follow-up consultation + prescription online circulation + medical insurance online payment + drug delivery to home". During the COVID-19 pandemic, the Quzhou Municipal Government leveraged on this platform to offer one-stop services for chronic disease patients, including online follow-up consultation, renewed prescription, drug purchase and delivery to home, all of which supported medical insurance settlement. In this way, Alibaba Health used its technical capabilities and operational experience to solve the difficulties of chronic disease patients during such difficult times. In April this year, Alibaba Health collaborated with Alipay to pioneer an innovative model of Internet healthcare in Jinan city in Shandong Province. The model, featuring the use of electronic medical insurance certificates, was the first of its kind in China, offering combined "electronic certificate collection + online follow-up consultation + prescription online circulation + medical insurance online payment + drug delivery to home" services. This model also represents another significant innovation of Alibaba Health in the pharmaceutical industry fully leveraging on the new policies and industry development opportunities.

Future prospects

Leveraging on the consumer recognition cultivated and the policy breakthroughs realized during this COVID-19 pandemic, the Group will continue to accumulate experience, and integrate resources and capabilities, to provide high-quality and efficient healthcare services for our constantly growing user base. We will increase our investment in the Internet healthcare business and synergize the traffic acquisition ability of Alibaba's ecosystem, to continually realize the expansion of our target user group based on the large number of users acquired during the COVID-19 pandemic. On that basis, we will also continue to optimize the supply and deployment of healthcare tools and services, and strengthen the production and operation of quality content, to establish the general consumer recognition of the Group as China's preferred Internet healthcare platform. Starting with our successful operation of the GMCC, the Group will continue to gather top-notch hospital and doctor resources. With our industry-leading brand value, technical capabilities and traffic advantages, we will help medical experts and doctors in China to amplify their value and contributions and provide affordable healthcare services to patients and their families across the country.

In addition, we will continue to leverage on and accumulate the leading advantages and operational experience of the "Zhejiang Province Internet Hospital Platform". With the increasing popularity of Internet healthcare, we will continue to help more brick-and-mortar hospitals establish and provide online consultation services, thereby expanding the platform. Apart from enabling efficient supervision as required by the Health Commission of Zhejiang Province, we will continue to optimize the core business links that guide patients from online portals to offline services, and that bring offline patients online to the platform, while continually upgrading the prescription circulation model which has been implemented, to create greater value for the medical institutions registered on the platform. At the same time, we will continue to promote diversified services on the platform, to satisfy the growing demands of users while enhancing the value contributions of the platform. On the basis of the previous breakthroughs achieved in relation to online medical insurance payment, we will closely follow the national policies on the promotion of the use of electronic medical insurance certificates and will work closely with Alipay to promote online payment for medical insurance in more regions. Taking this as an opportunity, we will achieve in-depth links and collaboration among our different business segments, promoting widespread "triple medical reform" within the ecosystem of Alibaba Health, so that we can establish a unique competitive edge and lead the industry.

- ***Consumer healthcare business***

  The Group is committed to forging an entire ecosystem in the consumer healthcare industry in the long run, that covers vaccines, health screening, etc. On this basis, we will reshape the consumer healthcare environment and provide consumers with convenient, reliable, transparent and localized professional medical services.

  Due to the strong localization features of the consumer healthcare business, whereby the services for consumers are completed offline, the business segment was greatly affected by the COVID-19 pandemic, resulting in a deceleration of GMV growth in the second half of the year. However, the impact on the overall performance of the Group was limited. At the same time, we paid close attention to the development of the COVID-19 pandemic and to consumer demand, while actively promoting business innovation. As the COVID-19 pandemic situation in China improved recently, work and production have resumed in different parts of China and we also actively participated in Alibaba's Spring Thunder Initiative* (春雷計劃) to help society win the final battle against COVID-19. In late April, we launched COVID-19 nucleic acid testing services in ten major cities in China, including Beijing, Shanghai and Guangzhou. The service was later expanded to about a hundred cities within a week, via multiple channels such as Taobao, Alipay, UC Browser and Quark. This not only satisfied the need for upgraded regular COVID-19 pandemic prevention and control in different regions in China, but also guaranteed the mobility requirements for the smooth resumption of work and production. The rapid response and efficient execution in relation to the nucleic acid testing services further highlight the competitive advantages of our health screening segment. As at the end of the Reporting Period, the Group had established cooperation with more than 2,000 public and private medical examination centers, providing diversified products and services through Tmall, Alipay, DingTalk and other channels.

MANAGEMENT DISCUSSION AND ANALYSIS

With regards to vaccination, we furthered our deployments in respect of "vaccine booking service e-commerce" + "vaccine eco-cooperation" growth drivers. The vaccine booking service has already covered several dozen large and medium-sized cities across China. On the basis of our close cooperation with GlaxoSmithKline, we established another strategic partnership with Sanofi Pasteur, helping to improve the inoculation rates of influenza and combined vaccines in China. At the same time, we expanded the ecosystem by establishing a cooperative relationship with China's leading providers of immunization planning information. We also launched services for people's well-being such as online vaccine booking in Fuzhou, Guangzhou and other cities, helping to improve the inoculation rates among Chinese consumers through ecological deployment.

Future prospects

We will continue to explore the vast consumer healthcare market space. By making full use of the preliminary results of our ecological deployment in the vaccine business, we will strive to build a leading online vaccine booking platform for China, which will cover public and private inoculation service providers in major cities across the nation. By providing an online service capability matrix with online booking at its core, we will improve the vaccination service experience for Chinese consumers and further increase inoculation rates. We will also strengthen cooperation with upstream pharmaceutical companies to further cultivate consumer recognition on the basis of optimizing supply, while building a leading online synergies platform in the industry. In the field of health screening, we will build on the opportunities offered by COVID-19 nucleic acid testing and increase our investment in this business. While strengthening the synergies and coordination with Alibaba's existing ecosystem partners, such as Alipay, UC Browser, Quark, Meinian Onehealth and iKang Guobin, we will also actively expand Alibaba's local life service terminals by working with Ele.me and Koubei. We will diversify product supply, innovate marketing approaches and tap into our leading operational capabilities and technical strengths, to realize sustainable growth and returns as an industry leader.

Digital infrastructure business

- ***Digital health business***

  The Group cooperates with governments, hospitals, research institutes, colleges and other external organizations to explore the smart health business based on digital information, AI and big data technologies. Related areas include Internet medical academic associations, medical research platforms, clinical decision support systems, remote imaging platforms and solutions for blockchain data security.

During the year, the Group continued to assist the government and hospitals in information technology construction using its technologies, promoting digital health transformation and infrastructure construction to provide affordable and convenient medical and healthcare services to the public. Zhejiang Bianque, the "brain" of our digital health business, has long been committed to building healthcare data product and smart service product capabilities. On this basis, we successfully incubated urban digital health platform construction and operational capabilities. During the Reporting Period, the "Healthy Yuhang Smart Cloud"*(「健康余杭智慧雲」), a comprehensive regional smart health application system developed by the Yuhang district government of Hangzhou city with the help of Zhejiang Bianque, was officially launched. This was another interim achievement of Zhejiang Bianque in the domain of urban digital health platforms, as well as another compelling proof of its leading technical capabilities and operational experience in the industry. Following the completion of the two phases of the project, the Yuhang district government not only realized efficient supervision and comprehensive understanding of the medical resources, medical standards and health conditions of residents in the district, but also developed its data prediction and analytical capabilities. Therefore, the system helps the Government to conduct reasonable planning in terms of training medical staff and improving medical services, among other things, through determinations of medical service capabilities and sustainable development capabilities. At the same time, the project puts into practice our aims of realizing the potential of data and enabling the general public to enjoy more efficient and convenient services. By providing local residents with affordable life services such as online appointment, registration, payment and personal health management, it truly enables the construction and operation of a city health "smart brain" driven by a healthcare big data center.

Capitalizing on its strong cloud-based medical big data analytical capabilities and through internal and external cooperation, the Group is committed to building an AI medical system that can be applied in real-life situations. During the Reporting Period, we successfully incubated the AI engine for brain health screening, utilizing AI technology to conduct quantitative analysis on electroencephalograms (EEGs), so as to predict and screen risks relating to depression, Alzheimer's disease and epilepsy. The engine has already been put into use in medical examination centers. With deep learning technology, we also successfully developed four major AI engines, including those for digital orthodontics, epilepsy, dynamic electrocardiography and chronic obstructive pulmonary disease (COPD), featuring a wide range of applications in daily health, offline medical institutions, out-of-hospital medical services platform and other settings. During the COVID-19 pandemic, Alibaba Health collaborated with Alibaba Cloud and Alibaba DAMO Academy to develop a COVID-19 AI technology, which helps doctors conduct quick COVID-19 screening with computed tomography (CT) images, and this AI technology has been made available to over 550 hospitals in China. In view of the increasing severity of the situation overseas, Alibaba Health again contributed to anti-epidemic efforts overseas after organizing free medical consultations around the world by releasing the COVID-19 AI technology to help hospitals in Japan and other countries fight against the virus, thus enabling more extensive screening and benefitting more patients.

MANAGEMENT DISCUSSION AND ANALYSIS

Through its controlling interest in Seenew Medical Technology (Zhejiang) Co., Ltd.* (熙牛醫療科技(浙江)有限公司) ("Seenew Technology"), the Group is committed to research and development, and establishment of an integrated smart healthcare cloud platform for medical institutions that covers comprehensive business processes including medical care, public health and management in both online and offline settings. Through its accumulated experience, strengthened capabilities and product refinement, Seenew Technology has successfully developed an AI cloud-based hospital information platform for large-scale medical groups/medical associations, which has already been put into commercial use in the two campuses of the First Affiliated Hospital, Zhejiang University School of Medicine (FAHZU). During the COVID-19 pandemic, such platform provided powerful technical support for the Zhijiang campus of FAHZU in terms of rapid deployment of anti-epidemic resources and steady and efficient operation. The Group's technical and operational excellence was also conclusively proven when tested in such critical period. Updated with the cloud native system, our product enabled unified process control, service level and quality standards for all branches within the medical groups/medical associations, while meeting customized needs. We also successfully developed a regional cloud-based smart health platform focusing on the digitalization of the full spectrum of services offered by all medical institutions in each region. The platform effectively promotes the interconnection between medical institutions and medical authorities as well as between the medical care system and the public health system in the regions concerned, reduces the cost of informatization upgrade, and improves the efficiency and value of the extraction and application of medical data. Our cloud-based smart health platform has won several bids in a number of provinces in China, thereby establishing considerable project reserves for this product. Taking this opportunity, we will provide medical and health management services to the general public in China in the future.

Future prospects

Based on the technology and experience it has accumulated in practice, the Group will continue to assist the government and industry partners in informatization upgrade and medical service transformation. We will actively synthesize our experience from the "Healthy Yuhang Smart Cloud" project, and will work closely with our ecosystem partners including Alibaba Cloud. As a major healthcare player in the construction of "city brains" across China, we will expand and apply Alibaba Health's leading technical capabilities and operational experience in the healthcare industry to more domains. Based on this, we will gain access to more customer resources and operational portals. We will build regional-based ecological operation systems to explore and expand the boundaries of our business model. In the field of medical AI, we will improve the supply of medical resources and reduce the cost of medical services through screening products such as our brain health screening, which has shown preliminary results, as well as AI engines including the one for epilepsy EEGs. We hope to create more value for the medical industry and bring affordable medical services to the public. We will use our cloud-based smart health platform to develop those of our existing projects that have been successfully launched and operated as benchmarks. On this basis, we will promote their extensive application in the new regional digital healthcare infrastructure market in China in the future, which will also help to promote the implementation of tiered healthcare delivery system, facilitate the construction of county-level medical associations and assist in national medical reform.

- ***Tracking business***

The Group continued to develop its Ma Shang Fang Xin* (碼上放心) tracking platform. Leveraging on the strong computational and data processing capacity of Alibaba Cloud, the platform is capable of processing mega-sized big data and supporting several hundred thousand corporate users at the same time with its sound accessibility, compatibility and security.

As at the end of the Reporting Period, the number of pharmaceutical manufacturers which had signed up for the Ma Shang Fang Xin platform of the Group and renewed their agreement for product tracking continued to cover over 90% of the total number of pharmaceutical manufacturers in China, with 100% coverage for vaccine manufacturers.

During the Reporting Period, the Group made significant business progress in a number of areas. We followed the vaccine and drug tracking standards officially promulgated in China and obtained China's Information Security Protection Level Three* (信息安全等級保護三級) certification, thus becoming the first third-party tracking platform to meet such tracking standards in China. We also started the tracking business for the medical device sector and became one of the first group of pilot entities for the unique device identification system and one of the three largest code-issuing companies in China, which marked a new milestone for the Group in healthcare tracking. We provided tracking code service for a number of health-related segments, covering nutritional products, healthcare supplements, food, fresh produce and milk powder, providing tracking services for more than 1500 brands. The Group also actively explored the integration of multiple coding systems, striving to enhance the commercial service value of manufacturer tracking. We cooperated with a number of well-known milk powder brands including Mead Johnson, Wyeth, Abbott and Nestlé. We also made major breakthroughs in the application settings of tracking codes. For the first time, we enabled code scanning tracking in Class IIIA hospitals, which will serve as an important impetus to the continued consolidation of Alibaba Health's status and business value in the tracking industry.

Following the official implementation of the *Vaccine Administration Law** (《疫苗管理法》), Alibaba Health actively explored the vaccine tracking business in Guizhou, which became the first province in China to be fully and comprehensively covered by a vaccine tracking system. As a good example of technology serving the general benefits of people, the project enables the Government's smart supervision of vaccines and also provides free access to information about the availability and flow of vaccines to people across the provinces. After assisting all vaccine companies to complete the required data interfacing with the national vaccine coordination platform, the Group also actively helped companies meet the regulatory interfacing requirement in different provinces and actively participated in the construction of provincial vaccine supervision platforms. So far, interfacing has been completed with the platforms in Guangdong, Guizhou and Fujian, and is underway with the platforms in other provinces. The creation of the full-process tracking model has not only enabled access to and accumulation of richer and larger volume of data, but has also successfully established a business model in the tracking industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Future prospects

The *New Drug Administration Law* came into effect in December 2019, and provides legal basis for "establishing a complete drug tracking system". As at the end of the Reporting Period, the National Medical Products Administration had successively released ten documents on guiding opinions and relevant data standards, providing clear direction on the establishment of an information-based and comprehensive drug tracking system. The Group will capitalize on its first-mover advantage and industry-leading technologies and operational capabilities, to consolidate and enhance its leading position in the industry, and to continually expand the scenarios for code-scanning. It will also further strengthen the construction of the full-process tracking model, which will serve as the basis for the accumulation of complete process data. At the same time, we will also strengthen the linkage and coordination with other business sectors, including pharmaceutical and healthcare product and services, which will not only help the Group's overall business continue to grow and develop, but also help us explore and foster new business models in the tracking industry.

FINANCIAL REVIEW

The key financial figures of the Group for the years ended March 31, 2020 and March 31, 2019 are summarized as follows:

	For the year ended March 31,		
	2020	2019	Change
	RMB'000	*RMB'000*	*%*
Revenue	**9,596,476**	5,095,867	88.3
Gross profit	**2,231,380**	1,331,263	67.6
Gross profit margin	**23.3%**	26.1%	N/A
Fulfilment	**(1,098,254)**	(572,123)	92.0
Sales and marketing expenses	**(722,720)**	(454,838)	58.9
Administrative expenses	**(219,973)**	(181,016)	21.5
Product development expenses	**(252,843)**	(219,018)	15.4
Other income and gains	**161,269**	67,014	140.6
Other expenses	**(33,768)**	(2,502)	1,249.6
Finance costs	**(21,965)**	(27,966)	(21.5)
Operating profit/(loss)	**43,126**	(59,186)	N/A
Share of losses of joint ventures	**(12,737)**	(737)	1,628.2
Share of losses of associates	**(21,295)**	(907)	2,247.9
Income tax expenses	**(24,790)**	(30,934)	(19.9)
Loss for the year	**(15,696)**	(91,764)	(82.9)
Net loss attributable to owners of the parent	**(6,586)**	(81,949)	(92.0)
NON-HKFRS ADJUSTMENTS			
Adjusted net profit	**261,443**	121,729	114.8

– Revenue

Revenue of the Group for the year ended March 31, 2020 amounted to RMB9,596,476,000, representing an increase of RMB4,500,609,000 or 88.3% as compared to RMB5,095,867,000 for the year ended March 31, 2019. The increase in revenue was mainly attributable to the rapid growth in revenue from pharmaceutical direct business, pharmaceutical e-commerce platform business and consumer healthcare business during the year.

– *Pharmaceutical E-commerce Platform Business*

Our pharmaceutical e-commerce platform business comprises the e-commerce platform business (relating to health food and medical devices, etc.) acquired from Alibaba Group, the business of providing outsourced services to Tmall's Pharmaceutical Platform (in respect of categories other than those that have already been acquired) and the pharmaceutical O2O business. By the end of the Reporting Year, the Group had acquired the e-commerce platform business of health food, medical devices and healthcare products, sexual health and family planning products, contact lenses, and medical and healthcare service categories from Alibaba Group. In addition, the Group also actively expanded its pharmaceutical O2O business and efficiently connected consumers to their nearby pharmacies. During the year, the total revenue of the above businesses amounted to RMB1,170,333,000, representing a year-on-year increase of 69.6%.

– *Pharmaceutical Direct Business*

The pharmaceutical direct business of the Group comprises our direct B2C retail, related advertisement business and our B2B centralized procurement distribution business. During the year, the general revenue from pharmaceutical direct business reached RMB8,133,945,000, representing a year-on-year increase of 92.4%. The rapid growth in revenue was mainly due to the continual enrichment of the categories of goods sold through the Group's direct B2C and stock keeping units ("SKUs"), more detailed management of the direct business, optimization of the customer purchase experience and enhancement of repeated purchases by customers. Continuing to strengthen our cooperation with upstream quality brands, the Group had been authorized to undertake the management of or establish more than 80 franchised flagship stores on Tmall's Pharmaceutical Platform as at the end of the Reporting Year.

– *Internet Healthcare Business*

Apart from the business mentioned above, the Group has also been exploring fee models in the Internet healthcare areas. During the year, revenue of the Group from Internet healthcare business segments, including online health consultation, amounted to RMB38,420,000, representing a year-on-year growth of 221.2%.

– ***Consumer Healthcare Business***

Noticing consumers' increasing demands for beauty and health, the Group actively cooperates with aesthetic medical, health screening, vaccination, oral health and other medical and healthcare service organizations through its online platforms and direct stores, to provide users with safe, professional and transparent medical and healthcare services, as well as health education, consultation, appointment booking and other value-added services. The Group also provides integrated marketing services to many quality upstream pharmaceutical enterprises in the industry through its consumer healthcare platform, which has greatly enhanced the brand profile of Alibaba Health in the medical service industry. During the year, the consumer healthcare business grew rapidly, with revenue attributable to the business amounting to RMB214,287,000, representing a year-on-year growth of 67.1%.

– ***Tracking and Digital Health Business***

As at the end of the Reporting Period, the number of pharmaceutical manufacturers which had signed up for the Ma Shang Fang Xin platform of the Group and renewed their agreement for product tracking continued to cover over 90% of the total number of pharmaceutical manufacturers in China, with 100% coverage for vaccine manufacturers. Revenue from tracking and digital health business for the year was RMB39,491,000, representing a year-on-year growth of 2.0%.

– **Gross profit and gross profit margin**

The Group recorded gross profit for the year ended March 31, 2020 of RMB2,231,380,000, representing an increase of RMB900,117,000 or 67.6% as compared to RMB1,331,263,000 for the preceding year. Gross profit margin for the year was 23.3% as compared to 26.1% for the preceding year. Gross profit margin declined slightly.

– **Fulfilment**

Warehousing, logistics and customer service expenditures incurred by the Group's pharmaceutical direct business were included in fulfilment costs. Fulfilment costs for the year ended March 31, 2020 amounted to RMB1,098,254,000, representing an increase of RMB526,131,000 or 92.0% from RMB572,123,000 for the preceding year. Such increase was mainly due to the rapid growth in revenue of the B2C retail business. During the Reporting Period, fulfillment costs as a percentage of revenue of B2C retail business decreased by approximately 1% as compared to that for the corresponding period of the preceding year, which reflected the enhancement of operating efficiency of the Group in respect of warehousing, logistics and customer services.

– **Sales and marketing expenses**

Sales and marketing expenses for the year ended March 31, 2020 amounted to RMB722,720,000, representing an increase of RMB267,882,000 or 58.9% as compared to RMB454,838,000 for the preceding year. Such increase was mainly due to the increase in promotional costs to publicize the Group's direct stores. Besides, the Group also increased the headcount of its sales and operation functions and innovative business segment staff.

– **Administrative expenses**

Administrative expenses for the year ended March 31, 2020 amounted to RMB219,973,000, representing an increase of RMB38,957,000 or 21.5% as compared to RMB181,016,000 for the preceding year. Such increase was mainly attributable to rapid business growth which led to an increase in back-end supporting costs, travel expenses and professional costs.

– **Product development expenses**

Product development expenses for the year ended March 31, 2020 amounted to RMB252,843,000, representing an increase of RMB33,825,000 or 15.4% as compared to RMB219,018,000 for the preceding year. Such increase was mainly due to the increased headcount of the Company's research and development function. During the Reporting Period, the Group continued to recruit more information technology engineers to expand its Internet healthcare and digital health businesses, as well as to support the rapid growth in its pharmaceutical business and consumer healthcare business.

– **Other income and gains**

Other income and gains for the year ended March 31, 2020 amounted to RMB161,269,000, representing an increase of RMB94,255,000 or 140.6% as compared to RMB67,014,000 for the preceding year. This was mainly due to the increase in interest income, fiscal subsidies, gain from the disposal of associates and gain on deemed disposal of associates during the Reporting Period. In August 2019, the Group disposed of its equity interests in Beijing Jiamei Online Technology Co., Ltd.* (北京嘉美在線科技有限公司), its 45%-owned associate, and recognized a gain of RMB21,791,000.

– **Other expenses**

Other expenses for the year ended March 31, 2020 amounted to RMB33,768,000, representing an increase of RMB31,266,000 or 1,249.6% as compared to RMB2,502,000 for the preceding year. Such increase was mainly attributable to other expenses arising from the increase in loss of financial assets measured at fair value through profit or loss of RMB22,003,000 during the Reporting Period, while no such expenses were recorded during the preceding year. Besides, inventory losses and foreign exchange loss for the year also increased as compared to the preceding year.

– **Finance costs**

Finance costs for the year ended March 31, 2020 amounted to RMB21,965,000, representing a decrease of RMB6,001,000 or 21.5% from RMB27,966,000 for the preceding year. Such decrease was mainly attributable to the decrease in the average balance of borrowings given that the Group's borrowings from Alibaba Group was fully repaid during the year.

– **Share of losses of joint ventures**

Share of losses of joint ventures represented the share of net operating results of the Group's 45%-owned joint venture, Zhejiang Bianque and our 13.72%-owned joint venture, Jiangsu Zijin Hongyun Health Industry Investment LLP* (江蘇紫金弘雲健康產業投資合夥企業(有限合夥)). For the year ended March 31, 2020, share of losses of joint ventures was RMB12,737,000, while share of losses of joint ventures of RMB737,000 was recorded for the preceding year. The year-on-year increase in share of losses of joint ventures was mainly attributable to the fact that Zhejiang Bianque was still at an early stage of investment and operation during the year.

– **Share of losses of associates**

The Group actively invests in the healthcare segment. During the year, the Group made active deployments in the pharmaceutical retail market through its strategic investments in regionally leading pharmaceutical retail chains such as Anhui Huaren Health Pharmacy Company Limited* (安徽華人健康醫藥股份有限公司), Guizhou Ensure Chain Pharmacy Company Limited* (貴州一樹連鎖藥業有限公司), Shandong ShuYu Civilian Pharmacy Corp. Ltd.* (山東潄玉平民大藥房連鎖股份有限公司) and Gansu Deshengtang Pharmaceutical Technology Co., Ltd.* (甘肅德生堂醫藥科技集團有限公司) to deepen our business partnerships with them and to jointly explore a new pharmaceutical retail model. The Group's share of losses of associates for the year ended March 31, 2020 amounted to RMB21,295,000, representing an increase of RMB20,388,000 or 2,247.9% as compared to the share of losses of associates of RMB907,000 recorded for the preceding year. The share of losses of associates for the year was mainly attributable to the fact that some of the Group's associates were still at an early stage of business development, while some were in the transformation or growing stage.

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

For the year ended March 31, 2020, the Group's loss amounted to RMB15,696,000, representing a decrease of RMB76,068,000 or 82.9% as compared to loss of RMB91,764,000 for the preceding year. For the year ended March 31, 2020, the Group's adjusted net profit amounted to RMB261,443,000, representing a significant increase of RMB139,714,000 as compared to adjusted net profit of RMB121,729,000 for the preceding year. The increase in adjusted net profit was mainly attributable to the speedy growth and economies of scale of the Group's pharmaceutical e-commerce platform business and pharmaceutical direct business, as well as the contribution from the consumer healthcare business to the Group's profit. The profitability of the Group continued to improve, which will enable us to further explore new pharmaceutical retail models in the future, and to invest in and make strategic deployments in respect of innovative business segments such as those engaged in Internet healthcare and digital health.

To supplement the Group's consolidated financial statements presented in accordance with Hong Kong Financial Reporting Standards (HKFRS), 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 are of the view that presenting the non-HKFRS indicator together with the relevant HKFRS indicator will help investors to better compare our operational performance across various periods, without the potential impact of projects which our management considers as not indicative to our operational performance. We believe that the non-HKFRS indicator provides investors and other individuals with helpful information to understand and assess our consolidated operational results in the same way that our management does. However, the adjusted net profit we presented may not be comparable with similar indicators presented by other companies. Such non-HKFRS indicator has its limitations as an analytical tool, and it should not be regarded as being independent from the operational results or financial position presented according to HKFRS, or as an alternative to analyze the relevant operational results or financial position. In addition, the definition of such non-HKFRS indicator may vary from those applied in other companies.

The adjusted net profit for the years ended March 31, 2020 and 2019 set out in the table below represents adjustments to the most direct and comparable financial indicator calculated and presented in accordance with HKFRS (i.e. loss for the year):

	For the year ended March 31,	
	2020	2019
	RMB'000	*RMB'000*
Loss for the year	**(15,696)**	(91,764)
Excluding		
— Share-based compensation	**277,139**	213,493
Adjusted net profit	**261,443**	121,729

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

The cash and other liquid financial resources of the Group as at March 31, 2020 and the corresponding comparative figures as at March 31, 2019 are summarized as follows:

	March 31, 2020	March 31, 2019
	RMB'000	*RMB'000*
Cash and cash equivalents	**2,594,981**	280,371
Short-term investment at fair value through profit or loss		
— Wealth management products	**402,485**	1,736,713
Cash and other liquid financial resources	**2,997,466**	2,017,084

Cash and cash equivalents increased by RMB2,314,610,000 or 825.6% from RMB280,371,000 as at March 31, 2019 to RMB2,594,981,000 as at March 31, 2020. Such increase mainly reflected the issuance of new shares to Alibaba Group and Ant Financial by the Group for financing and the net inflows generated from the cash flow from operating activities during the year.

Short-term investment at fair value through profit or loss was short-term investment in high liquidity bank financial products with maturity within three months (including three months).

Cash flows of the Group for the years ended March 31, 2020 and March 31, 2019 were as follows:

	For the year ended March 31,	
	2020	2019
	RMB'000	*RMB'000*
Net cash flows generated from operating activities	**583,615**	396,370
Net cash flows generated from/(used in) investing activities	**1,345,385**	(2,395,711)
Net cash flows generated from financing activities	**328,814**	1,708,489
Net increase/(decrease) in cash and cash equivalents	**2,257,814**	(290,852)
Cash and cash equivalents at the beginning of the year	**280,371**	508,419
Effects of exchange rate changes	**56,796**	62,804
Cash and cash equivalents at the end of the year	**2,594,981**	280,371

— Net cash flows generated from operating activities

For the year ended March 31, 2020, net cash flows generated from operating activities amounted to RMB583,615,000, which was primarily attributable to our profit before income tax from continuing operations of RMB9,094,000, as adjusted by: (1) addition of non-cash or non-operating activities expense items, which primarily comprised share-based compensation expenses of RMB277,139,000, depreciation of right-of-use assets and investment property of RMB34,382,000, share of loss in joint ventures and associates of RMB34,032,000, loss of financial assets at fair value through profit or loss of RMB22,003,000, finance costs of RMB21,965,000 and impairment of inventories and write-off of RMB18,583,000; deducting non-cash or non-operating activities income items, mainly including gain from the disposal of associates and gain on deemed disposal of associates of RMB63,553,000 and bank and other interest income of RMB54,904,000; and (2) changes in working capital, which primarily comprised an increase in trade payables of RMB960,575,000, an increase in other payables and accruals of RMB57,877,000, a decrease in trade receivables of RMB41,796,000, an increase in inventories of RMB638,960,000, an increase in prepayments, deposits and other receivables of RMB169,541,000 and an increase in restricted cash of RMB58,520,000.

— Net cash flows generated from investing activities

For the year ended March 31, 2020, net cash flows generated from investing activities was RMB1,345,385,000, which was primarily attributable to net cash generated from redemption of financial assets at fair value through profit or loss of RMB1,357,034,000.

— Net cash flows generated from financing activities

For the year ended March 31, 2020, net cash flows generated from financing activities was RMB328,814,000, which was primarily attributable to those generated from the issuance of new shares of RMB2,000,580,000 and those used by the Group in repaying borrowings from Alibaba Group of RMB1,700,000,000.

— Gearing ratio

As at March 31, 2020, the Group did not have any borrowings, and hence no gearing ratio was shown (March 31, 2019: Nil).

As at March 31, 2020, the Group did not have any material contingent liabilities and had not pledged any Group assets for bank loans and banking facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's operations and transactions are principally conducted in the People's Republic of China (the "PRC"). The Group prudently managed its treasury functions and maintained a healthy liquidity position throughout the year ended March 31, 2020. The board (the "Board") of directors (the "Directors") of the Company closely monitors the Group's liquidity position to ensure that the liquidity structure of our assets, liabilities and other commitments can meet the Group's funding requirements from time to time. Other than a certain amount of bank balances and cash, most of the Group's bank balances and cash are placed in fixed deposits and are denominated in Hong Kong dollars, Renminbi and United States dollars, while other assets and liabilities are mainly denominated in either Hong Kong dollars or Renminbi. The Group changed its presentation currency from Hong Kong dollars to Renminbi starting from the year ended March 31, 2016 to better reflect its operations in the PRC and to be consistent with the internal reporting portfolio reviewed by the Directors. The Group does not have a foreign exchange hedging policy, but the management will continue to closely monitor exchange rate fluctuations and will take appropriate measures to keep foreign exchange risk exposure to the minimum. The Group does not use any financial instruments for hedging purposes.

EMPLOYEES AND REMUNERATION POLICIES

The number of full-time employees of the Group as at March 31, 2020 was 990 (808 as at March 31, 2019). Total staff costs of the Group for the year ended March 31, 2020 amounted to RMB685.7 million (RMB550.7 million for the year ended March 31, 2019). All staff employed by the Group in Hong Kong participated in the Mandatory Provident Fund Scheme.

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

The Group has also adopted a share award scheme as approved by the shareholders of the Company (the "Shareholders") on November 24, 2014 (the "Share Award Scheme"). Pursuant to the Share Award Scheme, the Board may grant awards (the "Share Awards") in the form of restricted share units or options to eligible participants, including the Directors, the directors of the Company's subsidiaries, the employees of the Group or any other persons who, as determined by the Board in its absolute discretion, have contributed or will contribute to the Group.

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

The Group engaged in trading of short-term and liquid investments and financial assets ranging from unit trusts, structured deposits and other wealth management during the Reporting Period in accordance with its treasury policy initially adopted in June 2015 to utilise surplus cash reserves for treasury management purpose. The Company's treasury policy sets out the selection guidelines and relevant approval procedures for acceptable short-term investments and financial assets with reference to its risk management policy. According to such treasury policy, the Company invests in products including non-equity financial asset investments with strong liquidity which can be realised either at any time or within a short period of time. Such investments shall be subscribed from financial institutions in the approved list, which shall be reviewed every two years. During the Reporting Period, such financial institutions included various branches of the China Merchant Bank, Bank of Ningbo, Pudong Development Bank, Huaxia Bank, Minsheng Bank, Bank of China and Ping An Bank. According to the Company's prevailing approval procedures, any investment decision related to financial assets shall be approved by the financial and treasury manager of the Company, and shall, depending on the investment size, be approved by the financial controller or vice president (finance). Such short-term investments at FVPL amounted to approximately RMB402.5 million as at March 31, 2020 (equivalent to approximately 5.1% of the total assets of the Company), with an aggregate amount of not more than approximately RMB251.7 million, which was equivalent to 3.2% of the total assets of the Company, having been subscribed from any single financial institution. During the Reporting Period, (i) the Company has not disposed of any investment at FVPL, and the decrease in the total value of such short-term investments was mainly due to repurchases of part of the short-term investment products upon expiry during the Reporting Period by issuers in accordance with their relevant terms; and (ii) the Company realised fair value gains of approximately RMB22.8 million on financial assets at FVPL as a result of its trading in the aforesaid short-term investments.

On February 6, 2020, the Company entered into a share purchase agreement with Ali JK, a direct wholly-owned subsidiary of Alibaba Holding, pursuant to which the Company acquired 100% equity interest in Ali JK ZNS Limited ("Ali JK ZNS"), an offshore holding vehicle incorporated under the laws of the British Virgin Islands which was indirectly wholly-owned by Alibaba Holding to hold the target business which comprised the ownership of all merchant relationships for the sales of certain pharmaceutical products, medical purpose food products, medical devices, adult products, healthcare products, medical and healthcare services, and blue cap health food sold through Tmall or Tmall Supermarket only, and pharmaceutical products, medical devices, healthcare products, FSMPs and medical and healthcare services on Tmall Global and the employment relationships with the relevant marketing and operation personnel managing the relationships with these merchants (the "Ali JK ZNS Acquisition"). The aggregate consideration was HK$8,075,000,000 and was satisfied by the Company issuing 860,874,200 consideration shares to Ali JK at completion in April 2020.

DIRECTORS' REPORT

The board (the "Board") of directors (the "Directors") of Alibaba Health Information Technology Limited (the "Company", together with its subsidiaries, the "Group") presents its report and the audited financial statements for the year ended March 31, 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the Group is committed to providing Internet technology, service tools and platforms to its industry partners, with the aim of providing accessible and affordable medical and healthcare services to the public so as to make good health achievable at the fingertips. The principal activities of the Group comprise the pharmaceutical direct business, operation of pharmaceutical e-commerce platform and consumer healthcare services platform, provision of tracking and digital health business and Internet healthcare business.

BUSINESS REVIEW

Review of Business

A review of the Group's business, including the principal risks and uncertainties faced by such business and its possible future development are described under the paragraphs headed "Business Review" in the section headed "Management Discussion and Analysis" of this report on pages 9 to 31.

Analysis of Performance and Financial Position

The key financial figures and financial position of the Group for the year ended March 31, 2020 and the relevant analysis are set out under the paragraphs headed "Financial Review" and "Financial Resources, Liquidity and Foreign Exchange Exposures", respectively, in the section headed "Management Discussion and Analysis" of this report on pages 9 to 31.

Environmental Policies and Performance

The Group is committed to promoting environmentally friendly business practices and raising awareness on the conservation of natural resources. By utilizing intranet systems, our staff can accomplish some of their administrative work electronically which reduces the use of office supplies. We also encourage prudent electricity consumption. Our staff are advised to switch off any lights in unoccupied areas. We believe that taking active measures in minimizing wasteful material and energy consumption in the course of conducting our business will not only bring economic benefits but also assist in the preservation of the natural environment.

Compliance with Laws and Regulations

The Group recognizes the importance of compliance with legal and regulatory requirements. Internal compliance and risk management policies and procedures are in place to ensure the Group's adherence and compliance with all significant and applicable legal and regulatory requirements in Hong Kong and the PRC. For the year ended March 31, 2020 and up to the date of this report, to the best knowledge of the Directors, the Group has complied in all material respects with the applicable laws and regulations of Hong Kong and the PRC which have a significant impact on the business and operations of the Group, including in respect of its principal businesses (namely the pharmaceutical direct business, operation of pharmaceutical e-commerce platform and consumer healthcare services platform, provision of tracking and digital health business and Internet healthcare business), its employment and labour practices and environmental protection, etc. The Group has also obtained all licenses, approvals and permits from the relevant regulatory authorities that are material for its business operations in the PRC.

Relationships with Key Stakeholders

The Group's success depends on the support from the key stakeholders which include its employees, customers and suppliers.

Employees

Employees are regarded as the most important and valuable assets of the Group. The number of full-time employees of the Group as at March 31, 2020 was 990 (808 as at March 31, 2019). The Group's policy is to maintain a competitive pay structure and employees are rewarded based on their performance and with appropriate incentives including cash bonuses and through the use of the Share Award Scheme, details of which are set out under the sub-section headed "Share Award Scheme" in this report.

Customers

The Group believes that effective communications are the key to maintaining a good relationship with its customers. Various means have been established to strengthen the communications between the Group and its customers, including seeking more regular feedback through direct engagement with customers and also through industry seminars and forums for better understanding of industry trends and demands. The Group continually strives to improve service quality and to provide better customer experience.

Suppliers

Sound relationships with key suppliers of the Group are important in managing the supply chain, meeting business challenges and complying with regulatory requirements, which can drive cost effectiveness and foster long-term business benefits. We seek to develop long-standing relationships with our key suppliers and to explore with them ways to improve supply chain efficiencies.

RESULTS AND DIVIDENDS

The Group's financial performance for the year ended March 31, 2020 and the financial position of the Group as at that date are set out in the financial statements on pages 135 to 138.

The Board does not recommend the payment of a final dividend for the year ended March 31, 2020 (For the year ended March 31, 2019: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate, is set out on page 258. This summary does not form part of the audited financial statements.

SHARE CAPITAL, SHARE OPTIONS AND RESTRICTED SHARE UNITS ("RSUS")

Details of movements in the Company's share capital, share options and RSUs during the year ended March 31, 2020 are set out in notes 31 to 32 to the consolidated financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended March 31, 2020, 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 2,413,200 shares of the Company on the market to satisfy the Share Awards granted to connected employees of the Company upon vesting.

ISSUE FOR CASH OF EQUITY SECURITIES

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

As disclosed in the June Circular, the Company intended to apply the Net Proceeds in the following manner:

- approximately 50% of the Net Proceeds would be used for repayment of loans which were due in December 2019 and which had been used to fund the ongoing business operations and expansion, including inventory expansion, warehousing and delivery and system construction of the Group's pharmaceutical business, and to recruit more technical and operational personnel to develop Internet-based medical services and intelligent medicine services (the "Repayment of Loans and Recruitment");

- approximately 25% of the Net Proceeds would be used for the Company's previous committed investments and investment projects under review, including investments in pharmacy chains and investments in companies primarily engaged in pharmaceutical distribution and medical informatization (the "Committed Investments and Investment Projects under Review"); and

- the remaining of approximately 25% of the Net Proceeds of the Subscription would be used for future strategic investment opportunities as and when opportunities arose (the "Future Strategic Investment Opportunities").

Up to March 31, 2020, the Group had applied the Net Proceeds as follows:

Use of Net Proceeds	**Planned use of Net Proceeds as disclosed in the June Circular** ***(HK$'000)***	**Actual use of Net Proceeds for the year ended March 31, 2020** ***(HK$'000)***	**Unutilized Net Proceeds** ***(HK$'000)***
Repayment of Loans and Recruitment	1,136,160	1,136,160	—
Committed Investments and Investment Projects under Review	568,080	49,680	518,400
Future Strategic Investment Opportunities	568,080	—	568,080

Note:

The Net Proceeds have been and will be applied in the manner consistent with the use of proceeds as disclosed in the June Circular. The unutilized portion of the 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 year ended March 31, 2020.

DEBENTURES

During the year ended March 31, 2020, the Company did not issue any debentures.

EQUITY-LINKED AGREEMENTS

During the year ended March 31, 2020, the Company did not enter into any equity-linked agreements in respect of its shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

DISTRIBUTABLE RESERVES

The Company did not have any reserves available for distribution at the end of the Reporting Period. However, the Company's share premium account, in the amount of approximately RMB22,344,732, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended March 31, 2020, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year, and purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

For the purpose of disclosing the environmental, social and governance (the "ESG") information in accordance with the ESG Reporting Guide in Appendix 27 to the Listing Rules, the Company has engaged an external consultant to identify material ESG issues of the Group and assist in the reporting of the Group's performance based on its ESG management approach, strategy, priorities and objectives. For details of the Company's ESG policies and performance and its compliance with the relevant laws and regulations, please refer to pages 97 to 128 of this report.

DIRECTORS

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

Executive Directors:

Mr. ZHU Shunyan
(appointed as executive Director, Chairman and Chief Executive Officer with effect from March 16, 2020)
Mr. SHEN Difan *(resigned on March 16, 2020)*
Mr. WANG Qiang

Non-executive Directors:

Mr. WU Yongming *(stepped down as Chairman with effect from March 16, 2020)*
Mr. WANG Lei
Mr. XU Hong *(appointed on June 9, 2019)*
Ms. ZHANG Yu *(resigned on June 9, 2019)*

Independent Non-executive Directors:

Mr. LUO Tong
Mr. WONG King On, Samuel
Ms. HUANG Yi Fei (Vanessa) *(appointed on June 9, 2019)*
Mr. YAN Xuan *(resigned on April 8, 2019)*

Since the date of the annual report of the Company for the 12 months ended March 31, 2019, the changes to the information which are required to be disclosed and had been disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules are as below:

- Mr. ZHU Shunyan was appointed as an executive Director, Chairman of the Board, Chief Executive Officer and the chairman of the nomination committee (the "Nomination Committee") of the Company with effect from March 16, 2020. He was also appointed as a director of Meinian Onehealth Healthcare Holdings Co., Ltd.* (美年大健康產業控股股份有限公司), a company listed on the Shenzhen Stock Exchange ("SZSE") (Stock Code: 2044) ("Meinian Onehealth") in May 2020.

- Mr. SHEN Difan resigned as an executive Director and Chief Executive Officer with effect from March 16, 2020.

- Mr. WU Yongming stepped down as Chairman of the Board with effect from March 16, 2020.

- Ms. ZHANG Yu resigned as a non-executive Director with effect from June 9, 2019.

- Mr. XU Hong was appointed as a non-executive Director and Ms. HUANG Yi Fei (Vanessa) was appointed as an independent non-executive Director, the chairman of the remuneration committee ("Remuneration Committee") and a member of the audit committee (the "Audit Committee") of the Company, with effect from June 9, 2019.

- Mr. WONG King On, Samuel has been an independent non-executive director and chairman of the audit committee of Analogue Holdings Limited (Stock Code: 1977), a company listed on the Main Board of the Stock Exchange since July 2019.

- Mr. XU Hong was appointed as a non-executive director of two companies listed on the Main Board of the Stock Exchange during the year, namely Red Star Macalline Group Corporation Ltd. (Stock Code: 1528) on October 16, 2019 and Alibaba Pictures Group Limited (Stock Code: 1060) on January 17, 2020, respectively. He was also appointed as a director of Meinian Onehealth with effect from December 25, 2019.

In accordance with bye-law 99 and bye-law 102 of the bye-laws of the Company, Mr. ZHU Shunyan, Mr. WANG Qiang and Mr. WU Yongming will retire at the forthcoming annual general meeting of the Company to be held on July 30, 2020 (the "2020 AGM"). Mr. ZHU Shunyan, Mr. WANG Qiang and Mr. WU Yongming being eligible, will offer themselves for re-election at the 2020 AGM.

The non-executive Directors and independent non-executive Directors are appointed for a term of one year. Their appointment shall be renewable automatically for successive terms of one year each commencing from the next day after the expiry of the then current term of their appointment unless terminated by the Company in accordance with the terms of their appointment letters and the provisions of the bye-laws of the Company, respectively.

Upon resignation of Mr. YAN Xuan ("Mr. Yan") as an independent non-executive Director with effect from April 8, 2019, the number of independent non-executive Directors fell below the minimum number required under Rules 3.10(1) and 3.10A of the Listing Rules. In addition, the number of members of the Audit Committee and the Remuneration Committee fell short of the requirements under Rules 3.21 and 3.25 of the Listing Rules, and the Company no longer fulfilled the requirements of establishing a Remuneration Committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors under Rule 3.25 of the Listing Rules. Pursuant to Rule 3.11 and Rule 3.27 of the Listing Rules, the Company had taken the necessary measures to re-comply with Rule 3.10(1), Rule 3.10A, Rule 3.21 and Rule 3.25 of the Listing Rules within three months. Ms. HUANG Yi Fei (Vanessa) was appointed as an independent non-executive Director, the chairman of the Remuneration Committee, and a member of the Audit Committee, with effect from June 9, 2019. Save for the period between the abovementioned resignation of Mr. Yan with effect from April 8, 2019 and the appointment of Ms. HUANG Yi Fei (Vanessa) with effect from June 9, 2019, (i) the Company had three independent non-executive Directors representing at least one-third of the Board; and (ii) the composition of each of the Board, the Audit Committee and the Remuneration Committee was fully compliant with Rule 3.10(1), Rule 3.10A, Rule 3.21 and Rule 3.25 of the Listing Rules during the year ended March 31, 2020 and up to the date of this report. The Company received, from each of the independent non-executive Directors, an annual confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 70 to 73 of this report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The emoluments of the Directors are determined having regard to the Company's operating results, individual performance and comparable market statistics. The details of the Directors' emoluments are set out in note 9 to the consolidated financial statements in this report. During the year ended March 31, 2020, there was no arrangement under which a Director waived or agreed to waive any remuneration and no remuneration was paid by the Group to a Director as an inducement to join or upon joining the Group or as compensation for loss of office.

The Directors are also eligible to be granted Share Awards under the Share Award Scheme. The details of the scheme are set out in note 32 to the consolidated financial statements.

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 ten 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 at the expiry of the validity period.

Pursuant to the terms of the Share Award Scheme, the Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each employee determined by the Board from time to time) select an employee or any other person for participation in the Share Award Scheme and determine the number of Share Awards. The total number of shares in respect of which awards may be granted under the Share Award Scheme and any other share award schemes of the Company shall not exceed 3% of the shares in issue as at the Adoption Date (the "Scheme Mandate Limit"), or 3% of the shares in issue as at the new approval date of the renewed Scheme Mandate Limit.

The specific mandate granted to the Board at the annual general meeting of the Company held on September 30, 2015 (the "2015 Specific Mandate") to exercise all the powers of the Company to grant Share Awards lapsed at the conclusion of the annual general meeting of the Company held on August 18, 2016. The specific mandate was subsequently renewed by approval of the Shareholders at the annual general meetings of the Company held on August 18, 2016 (the "2016 Specific Mandate"), July 26, 2017 (the "2017 Specific Mandate"), July 20, 2018 (the "2018 Specific Mandate") and July 10, 2019 (the "2019 Specific Mandate"), respectively. The total number of shares underlying the Share Awards granted which remained outstanding as at March 31, 2020 amounted to 114,439,841, of which 8,581,250 were granted pursuant to the 2015 Specific Mandate, 10,450,250 were granted pursuant to the 2016 Specific Mandate, 37,577,634 were granted pursuant to the 2017 Specific Mandate, 39,603,038 were granted pursuant to the 2018 Specific Mandate and 18,227,669 were granted pursuant to the 2019 Specific Mandate. As at March 31, 2020, Share Awards in respect of a total of 332,852,242 underlying shares, which represent 2.76% of the total issued shares as at March 31, 2020, remain available to be granted under the Share Award Scheme under the 2019 Specific Mandate.

DIRECTORS' REPORT

Movements of the options and RSUs under the Share Award Scheme during the year ended March 31, 2020 are set out below:

Name of option holders/ grantees of RSU	Nature	Number of shares represented by options or RSUs outstanding as at April 1, 2019	Date of grant/ conditional grant[13]	Granted during the year	Exercise price *(HK$)*	Options exercised during the year	Options or RSUs lapsed/ cancelled during the year[14]	RSUs vested during the year	Number of shares represented by options or RSUs outstanding as at March 31, 2020
Directors of the Company									
Mr. Wang Qiang	Options	4,000,000	October 10, 2017[1]	–	4.400	–	–	–	4,000,000
	RSUs	900,000	October 10, 2017	–	–	–	–	450,000	450,000
	RSUs	300,000	June 8, 2018	–	–	–	–	150,000	150,000
	RSUs	–	June 14, 2019	449,000	–	–	–	112,250	336,750
Mr. Wang Lei	Options	7,491,000	September 7, 2015[2]	–	5.184	7,491,000	–	–	–
	RSUs	321,000	September 7, 2015	–	–	–	–	321,000	–
	Options	1,141,000	July 29, 2016[3]	–	5.558	855,750	–	–	285,250
	RSUs	190,000	July 29, 2016	–	–	–	–	95,000	95,000
	RSUs	2,907,750	June 14, 2017	–	–	–	–	1,694,250	1,213,500
Mr. Shen Difan (resigned on March 16, 2020)	Options	8,190,000	June 8, 2018[4]	–	7.240	–	4,095,000	–	4,095,000
	RSUs	1,170,000	June 8, 2018	–	–	–	585,000	585,000	–
	RSUs	–	June 14, 2019	500,000	–	–	–	125,000	375,000
Employees	Options	8,679,500	September 7, 2015[2]	–	5.184	7,404,500	142,000	–	1,133,000
	RSUs	271,750	September 7, 2015	–	–	–	132,500	139,250	–
	Options	21,500	October 20, 2015[5]	–	5.550	21,500	–	–	–
	RSUs	177,500	October 20, 2015	–	–	–	–	177,500	–
	Options	1,698,000	April 28, 2016[6]	–	5.320	937,500	–	–	760,500
	RSUs	1,517,685	April 28, 2016	–	–	–	–	1,517,685	–
	Options	8,911,600	July 29, 2016[3]	–	5.558	2,722,950	1,132,400	–	5,056,250
	RSUs	4,032,150	July 29, 2016	–	–	–	769,175	2,011,725	1,251,250
	Options	730,000	October 11, 2016[7]	–	4.416	244,000	190,500	–	295,500
	RSUs	157,500	October 11, 2016	–	–	–	–	101,500	56,000
	RSUs	298,800	November 23, 2016	–	–	–	148,000	150,800	–
	Options	4,236,000	February 2, 2017[8]	–	3.626	1,464,500	311,000	–	2,460,500
	RSUs	1,391,000	February 2, 2017	–	–	–	155,500	661,750	573,750
	Options	116,000	February 22, 2017[9]	–	3.610	–	–	–	116,000
	RSUs	695,100	February 22, 2017	–	–	–	–	527,600	167,500
	Options	3,523,000	June 14, 2017[10]	–	3.902	1,596,000	549,500	–	1,377,500
	RSUs	16,407,100	June 14, 2017	–	–	–	1,890,500	10,326,600	4,190,000
	Options	8,540,000	August 3, 2017[11]	–	3.686	2,014,000	1,093,000	–	5,433,000
	RSUs	4,545,100	August 3, 2017	–	–	–	545,500	2,372,800	1,626,800
	Options	4,865,250	October 10, 2017[1]	–	4.400	461,500	1,547,250	–	2,856,500
	RSUs	4,682,700	October 10, 2017	–	–	–	604,400	2,943,800	1,134,500
	Options	929,000	February 1, 2018[12]	–	4.144	119,500	–	–	809,500
	RSUs	2,716,070	February 1, 2018	–	–	–	–	1,861,543	854,527
	RSUs	38,037,641	June 8, 2018	–	–	–	3,469,622	18,400,212	16,167,807
	RSUs	14,536,000	July 31, 2018	–	–	–	2,556,500	3,977,500	8,002,000
	RSUs	8,159,864	October 10, 2018	–	–	–	285,700	431,296	7,442,868
	RSUs	7,233,202	January 31, 2019	–	–	–	1,503,373	1,779,609	3,950,220
	RSUs	–	June 14, 2019	27,821,332	–	–	1,941,118	6,384,014	19,496,200
	RSUs	–	August 2, 2019	9,107,763	–	–	284,000	78,536	8,745,227
	RSUs	–	September 18, 2019	2,299,744	–	–	130,000	44,898	2,124,846
	RSUs	–	February 24, 2020	4,459,871	–	–	–	151,358	4,308,513
	RSUs	–	March 16, 2020	3,070,383	–	–	–	21,300	3,049,083

Notes:

(1) The closing price per share is HK$4.01 as stated in the daily quotation sheets issued by the Stock Exchange on October 9, 2017, being the trading day immediately before the date of grant.

(2) The closing price per share is HK$5.02 as stated in the daily quotation sheets issued by the Stock Exchange on September 4, 2015, being the trading day immediately before the date of grant.

(3) The closing price per share is HK$5.55 as stated in the daily quotation sheets issued by the Stock Exchange on July 28, 2016, being the trading day immediately before the date of grant

(4) The closing price per share was HK$7.34 as stated in the daily quotation sheets issued by the Stock Exchange on June 7, 2018, being the trading day immediately before the date of grant.

(5) The closing price per share is HK$5.69 as stated in the daily quotation sheets issued by the Stock Exchange on October 19, 2015, being the trading day immediately before the date of grant.

(6) The closing price per share is HK$5.23 as stated in the daily quotation sheets issued by the Stock Exchange on April 27, 2016 being the trading day immediately before the date of grant.

(7) The closing price per share is HK$4.30 as stated in the daily quotation sheets issued by the Stock Exchange on October 7, 2016 being the trading day immediately before the date of grant.

(8) The closing price per share is HK$3.59 as stated in the daily quotation sheets issued by the Stock Exchange on February 1, 2017 being the trading day immediately before the date of grant.

(9) The closing price per share is HK$3.62 as stated in the daily quotation sheets issued by the Stock Exchange on February 21, 2017 being the trading day immediately before the date of grant.

(10) The closing price per share is HK$3.92 as stated in the daily quotation sheets issued by the Stock Exchange on June 13, 2017 being the trading day immediately before the date of grant.

(11) The closing price per share is HK$3.63 as stated in the daily quotation sheets issued by the Stock Exchange on August 2, 2017 being the trading day immediately before the date of grant.

(12) The closing price per share is HK$4.09 as stated in the daily quotation sheets issued by the Stock Exchange on January 31, 2018 being the trading day immediately before the date of grant.

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

(14) The weighted average closing price of the shares immediately before the dates on which the options granted to the employees were exercised calculated by the closing price per Share as stated in the daily quotation sheets issued by the Stock Exchange is HK$11.37 per share.

The Company estimated the fair values of its share options using the binomial model, which requires the Group to make estimates about inputs, such as expected volatility, expected dividend yield, exercise multiple, risk-free interest rate and expected forfeiture rate, and hence such estimates are subject to subjectivity and uncertainty. For the accounting policy adopted for the Share Awards and the fair value of the options granted during the year ended March 31, 2020, please refer to note 2.4 (Share-based payments) and note 32 to the Group's consolidated financial statements for the year ended March 31, 2020.

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

As at March 31, 2020, the interests and short positions of the Directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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**	**Percentage of the Company's share capital**
Mr. WANG Qiang	Beneficial owner and equity derivative interests[(1)]	5,365,566	0.04%
Mr. WU Yongming	Beneficial owner	1,262,000	0.01%
Mr. WANG Lei	Beneficial owner and equity derivative interests[(2)]	4,088,071	0.03%
	Beneficiary of a trust[(3)]	3,575,825	0.03%

Notes:

(1) Mr. WANG Qiang beneficially held 428,816 ordinary shares and subject to vesting, he is interested in 4,936,750 shares underlying the 4,000,000 options and 936,750 RSUs granted to him in accordance with the Share Award Scheme.

(2) Mr. WANG Lei beneficially held 2,494,321 ordinary shares and subject to vesting, he is interested in 1,593,750 shares underlying the 285,250 options and 1,308,500 RSUs granted to him in accordance with the Share Award Scheme.

(3) It represents 3,575,825 ordinary shares or underlying ordinary shares held by a private trust whereby Mr. WANG Lei and his family are the beneficiaries.

Long positions in shares and underlying shares of Alibaba Group Holding Limited ("Alibaba Holding", together with its subsidiaries, "Alibaba Group"), an associated corporation of the Company within the meaning of Part XV of the SFO.

Name of Director	Nature of interest	Number of shares/ underlying shares held	Approximate percentage of issued shares of associated corporation
Mr. ZHU Shunyan	Beneficial owner, equity derivative interests and interests of spouse(1)	2,346,088*	0.01%
Mr. WANG Qiang	Beneficial owner and equity derivative interests(2)	18,600*	0.00%
Mr. WANG Lei	Beneficial owner, equity derivative interests and interests of spouse(3)	1,764,696*	0.01%
	Beneficiary of a trust(4)	400,000*	0.00%
Mr. WU Yongming	Beneficial owner and interests of spouse(5)	1,625,736*	0.01%
	Founder of a discretionary trust(6)	46,509,520*	0.22%
Mr. XU Hong	Equity derivative interests(7)	532,000*	0.00%

Notes:

(1) It represents 1,974,088* ordinary shares or underlying ordinary shares and 212,000* restricted share units beneficially held by Mr. ZHU Shunyan and 160,000* ordinary shares or underlying shares held by his spouse.

(2) It represents 6,600* ordinary shares or underlying ordinary shares and 12,000* restricted share units beneficially held by Mr. WANG Qiang.

(3) It represents 36,136* ordinary shares or underlying ordinary shares, 240,000* restricted share units and 1,440,000* investment units beneficially held by Mr. WANG Lei and 48,560* ordinary shares or underlying shares and restricted share units held by his spouse.

(4) It represents 400,000* ordinary shares or underlying ordinary shares held by a private trust whereby Mr. WANG Lei and his family are the beneficiaries.

(5) It represents 25,736* ordinary shares held by Mr. WU Yongming, and 1,600,000* ordinary shares held by his spouse.

(6) It represents 46,509,520* ordinary shares or underlying ordinary shares held by Mr. WU Yongming through two private trusts whereby he is the founder of the discretionary trusts.

(7) It represents 532,000* restricted share units beneficially held by Mr. XU Hong.

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

Save as disclosed above, as at March 31, 2020, none of the Directors and chief executive had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "Connected Transactions" below 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 headed "Biographical Information of Directors and Senior Management", 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, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year under review.

ARRANGEMENT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed under the section headed "Share Award Scheme", at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors or chief executive of the Company or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

As at March 31, 2020, the following interests or short positions in the shares and underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions:

Name	Note	Capacity and nature of interest	Number of shares/ underlying shares	% of the issued share capital of the Company
Alibaba Group Holding Limited	(1)	Interest of controlled corporation	8,897,413,415	73.69%
Perfect Advance Holding Limited	(1)	Beneficial owner	3,103,816,661	25.71%
	(1)	Persons acting in concert	1,232,811,347	10.21%
Alibaba Investment Limited	(1)	Interest of controlled corporation	4,336,628,008	35.92%
Innovare Tech Limited	(1)	Beneficial owner	1,232,811,347	10.21%
	(1)	Persons acting in concert	3,103,816,661	25.71%
Yunfeng Fund II, L.P.	(1)	Interest of controlled corporation	4,336,628,008	35.92%
Yunfeng Investment GP II, Ltd.	(1)	Interest of controlled corporation	4,336,628,008	35.92%
Yunfeng Investment II, L.P.	(1)	Interest of controlled corporation	4,336,628,008	35.92%
Mr. Yu Feng	(1)	Interest of controlled corporation	4,336,628,008	35.92%
Mr. Ma Yun	(1)	Interest of controlled corporation	4,336,628,008	35.92%
Ali JK Nutritional Products Holding Limited	(1)	Beneficial owner	4,560,785,407	37.77%
Uni-Tech International Group Limited	(2)	Beneficial owner	777,484,030	6.44%
21CN Corporation	(2)	Interest of controlled corporation	777,484,030	6.44%
Pollen Internet Corporation	(2)	Interest of controlled corporation	777,484,030	6.44%
Ms. Chen Xiao Ying	(2)	Interest of controlled corporation	777,484,030	6.44%

Notes:

(1) Perfect Advance Holding Limited ("Perfect Advance") holds 3,103,816,661 shares of the Company and Innovare Tech Limited ("Innovare") holds 1,232,811,347 shares of the Company.

On October 12, 2018, Innovare and Perfect Advance entered into a shareholders' agreement which constitutes a concert party agreement for the purpose of section 317(1)(a) of the SFO, pursuant to which Perfect Advance enjoys a right of first refusal over the 1,232,811,347 shares in the Company held by Innovare.

Alibaba Investment Limited ("AIL") is wholly-owned by Alibaba Holding. Innovare is wholly controlled by Yunfeng Fund II, L.P., which is a direct wholly-owned subsidiary of Yunfeng Investment II, L.P. and an indirect wholly-owned subsidiary of Yunfeng Investment GP II, Ltd. Yunfeng Investment GP II, Ltd. is owned by Mr. Ma Yun as to 40% and Mr. Yu Feng as to 60%. Accordingly, each of Yunfeng Fund II, L.P., Yunfeng Investment II, L.P., Yunfeng Investment GP II, Ltd., Mr. Ma Yun and Mr. Yu Feng is also deemed to have an interest in the 4,336,628,008 shares via Innovare within the meaning of Part XV of the SFO.

Ali JK Nutritional Products Holding Limited ("Ali JK") holds 4,560,785,407 shares. Ali JK is owned by Alibaba Holding as to 100%. Therefore, Alibaba Holding is deemed to have an interest in an aggregate of 8,897,413,415 shares via Perfect Advance and Ali JK within the meaning of Part XV of the SFO.

(2) Uni-Tech International Group Limited holds 777,484,030 shares and is wholly-owned by 21CN Corporation. 21CN Corporation is wholly-owned by Pollen Internet Corporation, which is wholly-owned by Ms. Chen Xiao Ying.

Save as disclosed above, as at March 31, 2020, there were no other parties who had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year ended March 31, 2020, the Group had the following connected and continuing connected transactions, details of which were disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

(a) Continuing Connected Transaction — Cloud Computing Services Agreement

On March 28, 2019, Alibaba Health Technology (China) Company Limited* (阿里健康科技(中國)有限公司) (formerly known as Alibaba Health Technology (Beijing) Co., Ltd.* (阿里健康科技(北京)有限公司)) ("Alibaba Health (China)"), an indirect wholly-owned subsidiary of the Company, entered into the renewed cloud computing services agreement (the "2020 Cloud Computing Services Agreement") with Alibaba Cloud, pursuant to which Alibaba Cloud agreed to provide certain cloud computing services (the "Cloud Computing Services") to the Group for a term of one year from April 1, 2019 to March 31, 2020. The annual cap for the service fees payable by Alibaba Health (China) to Alibaba Cloud under the 2020 Cloud Computing Services Agreement was RMB49 million. The aggregate service fees incurred under the 2020 Cloud Computing Services Agreement during the year ended March 31, 2020 amounted to approximately RMB5.8 million (2019: RMB5.1 million).

On March 27, 2020, the same parties entered into the renewed cloud computing services agreement (the "2021 Cloud Computing Services Agreement") in relation to the provision of the Cloud Computing Services by Alibaba Cloud to the Group for a term of one year from April 1, 2020 to March 31, 2021, with an annual cap of RMB50 million.

The 2020 Cloud Computing Services Agreement and the 2021 Cloud Computing Services Agreement allowed the Group to utilize the cloud computing services provided by Alibaba Cloud to ensure smooth operation of its systems and the stability of its various Internet healthcare solutions.

Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Holding is the ultimate shareholder of Perfect Advance and Alibaba Cloud is a member of Alibaba Group. Accordingly, each of Alibaba Holding and Alibaba Cloud is an associate of Perfect Advance and hence a connected person of the Company. The transactions contemplated under the 2020 Cloud Computing Services Agreement and the 2021 Cloud Computing Services Agreement thus constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(b) Continuing Connected Transaction — Outsourced Services Framework Agreement

On January 30, 2019, Taobao Holding Limited ("Taobao Holding", together with its subsidiaries, "Taobao Group") and Alibaba Health Information Technology (Beijing) Co., Ltd* (阿里健康信息技術(北京)有限公司) ("Alibaba Health (Beijing)") entered into the renewed outsourced services framework agreement (the "2020 Outsourced Services Framework Agreement") for a term of one year from April 1, 2019 to March 31, 2020, pursuant to which Alibaba Health (Beijing) agreed to provide Taobao Group with merchant-related outsourced and value-added services (the "Outsourced Services") in respect of certain categories of products or services sold on or offered on Tmall, Tmall Global and Tmall Supermarket (as specified in the announcement of the Company dated January 30, 2019) (the "Relevant Categories"). The annual cap for the service fees payable to the Group during the term of the 2020 Outsourced Services Framework Agreement was RMB148 million, as approved by the independent Shareholders at the special general meeting held on March 29, 2019. The aggregate service fees received by the Group under the 2020 Outsourced Services Framework Agreement during the year ended March 31, 2020 amounted to approximately RMB93.8 million (2019: RMB123.2 million).

On March 27, 2020, the same parties entered into the renewed outsourced services framework agreement (the "2021 Outsourced Services Framework Agreement") for a term of one year from April 1, 2020 to March 31, 2021, pursuant to which Alibaba Health (Beijing) agreed to provide Taobao Group with the Outsourced Services on Tmall, Tmall Supermarket and Tmall Global. The annual cap for the service fees payable to the Group during the term of the 2021 Outsourced Services Framework Agreement was RMB210 million.

Since the completion of the Ali JK ZNS Acquisition in April 2020, Taobao Holding no longer requires the Outsourced Services provided under the 2021 Outsourced Services Framework Agreement for the Relevant Categories due to the transfer of ownership of merchant relationships to the Group. The parties therefore agreed that following such completion, Alibaba Health (Beijing) shall not be required to provide the Outsourced Services to the merchants on Tmall Global which have entered into tripartite agreements with Taobao China Holding Limited (淘寶中國控股有限公司) ("Taobao China") and Ali JK ZNS for the provision of e-commerce platform maintenance related software services (the "Tmall Global Tripartite Agreements"). However, as a transitional arrangement, it shall continue to provide the Outsourced Services to other merchants on Tmall Global under the Relevant Categories until these merchants enter into agreements similar to the Tmall Global Tripartite Agreements with the relevant parties. In addition, amendments have been made to the Relevant Categories in respect of products and services sold on Tmall and Tmall Supermarket after completion. For details, please refer to the announcement of the Company dated March 27, 2020.

Since the merchant services remain within the existing skill set of the Group given that it has been developing its own pharmaceutical e-commerce, Internet healthcare, and intelligent medicine businesses, the service fees received under the 2020 Outsourced Services Framework Agreement and the 2021 Outsourced Services Framework Agreement continue to be one of the steady growing sources of revenue for our Group.

Since Taobao Holding is a wholly-owned subsidiary of Alibaba Holding, Taobao Holding and its subsidiaries are associates of Perfect Advance, and hence connected persons of the Company. The transactions contemplated under the 2020 Outsourced Services Framework Agreement and the 2021 Outsourced Services Framework Agreement thus constitute continuing connected transactions of the Company. The 2020 Outsourced Services Framework Agreement was approved by the independent Shareholders at the special general meeting held on March 29, 2019, in accordance with the Listing Rules.

(c) Continuing Connected Transaction — Platform Services Framework Agreement

On January 30, 2019, the Company (for itself and on behalf of its subsidiaries) entered into a renewed services framework agreement with Alibaba Holding (the "2020 Platform Services Framework Agreement") for a term of one year from April, 2019 to March 31, 2020, pursuant to which Alibaba Holding agreed that its relevant entities (the "AGH Relevant Entities") shall provide various platform services (the "Platform Services") to the Group, and the Group shall pay the service fees calculated in accordance with the standard terms and conditions as amended and published on the respective online sales platforms operated by the AGH Relevant Entities from time to time. The annual cap for the service fees payable by the Group for the year ended March 31, 2020 was RMB434 million, as approved by the independent Shareholders at the special general meeting of the Company held on March 29, 2019. The aggregate service fees incurred under the 2020 Platform Services Framework Agreement for the year ended March 31, 2020 amounted to approximately RMB262.5 million (2019: RMB136.3 million).

On February 7, 2020 (as supplemented by an announcement of the Company dated April 1, 2020), the Company and Alibaba Holding entered into the renewed platform services framework agreement (the "2021 Platform Services Framework Agreement") in relation to the provision of the Platform Services from the AGH Relevant Entities to the Group, for a term of one year commencing on April 1, 2020 and ending on March 31, 2021, with an annual cap of RMB651 million, as approved by the independent Shareholders at the adjourned special general meeting of the Company held on April 9, 2020.

The Company believes that by marketing and selling products or services on the online sales platforms operated by the AGH Relevant Entities under the 2020 Platform Services Framework Agreement and the 2021 Platform Services Framework Agreement, the Group will be able to reach out to more customers and improve its understanding of their needs.

As Alibaba Holding controls the AGH Relevant Entities, each of the members of the AGH Relevant Entities is a connected person of the Company. The transactions contemplated under the 2020 Platform Services Framework Agreement and the 2021 Platform Services Framework Agreement thus constitute continuing connected transactions of the Company, and were approved by the independent Shareholders at the special general meetings held on March 29, 2019 and April 9, 2020, respectively, in accordance with the Listing Rules.

(d) Continuing Connected Transactions — Agency Agreement

On March 28, 2019, Hangzhou Alimama Software Services Co., Ltd.* (杭州阿里媽媽軟件服務有限公司) ("Alimama"), Alibaba Health (Hong Kong) Technology Company Limited (阿里健康（香港）科技有限公司) ("Alibaba Health (HK)") and Shanghai Quan Tudou Cultural Communications Company Limited* (上海全土豆文化傳播有限公司) ("Youku") entered into the renewed agency agreement (the "2020 Agency Agreement") for a term of one year commenced on April 1, 2019 and ended on March 31, 2020. Pursuant to the 2020 Agency Agreement, Alibaba Health (HK) (for itself and on behalf of its subsidiaries), as the marketing agent, agreed to refer contracted clients of Alibaba Health (HK) and its subsidiaries (the "Alibaba Health Group") to purchase, and Alimama and Youku (together, the "Advertising Parties"), as the marketing services providers, agreed to provide to Alibaba Health Group's contracted clients, various marketing and advertising services on the marketing and branding platforms provided by the Advertising Parties and/or its affiliated companies (the "Marketing Services") during the term of the 2020 Agency Agreement. The annual cap for the incentive fees to be received by the Group under the 2020 Agency Agreement for the year ended March 31, 2020 was RMB20 million. The aggregate incentive fees received by the Group for the year ended March 31, 2020 amounted to approximately RMB2.9 million (2019: RMB3.1 million).

On March 27, 2020, the same parties entered into the renewed agency agreement (the "2021 Agency Agreement") in relation to the provision of the Marketing Services from the Advertising Parties to the contracted clients of Alibaba Health Group, for a term of one year commencing on April 1, 2020 and ending on March 31, 2021, with an annual cap of RMB100 million.

By entering into the 2020 Agency Agreement and the 2021 Agency Agreement with the Advertising Parties, which operate well-established marketing platforms, the Group believes that more diverse options can be provided to the customers together with the Group's marketing resources. At the same time, collecting incentive fees from Alibaba Group and other marketing and promotion services providers will provide additional income for the Group and will be beneficial to the long-term development of the Group.

As each of the Advertising Parties is a member of Alibaba Holding, each of the Advertising Parties is an associate of Perfect Advance and hence a connected person of the Company. The transactions contemplated under the 2020 Agency Agreement and the 2021 Agency Agreement thus constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(e) Continuing Connected Transactions — Logistics Services Framework Agreement

On March 28, 2019, Alibaba Health (HK) entered into the renewed logistics services framework agreement (the "2020 Logistics Services Framework Agreement") with Hangzhou Cainiao Supply Chain Management Co., Ltd.* (杭州菜鳥供應鏈管理有限公司) ("Hangzhou Cainiao"), pursuant to which Cainiao Smart Logistics Network Limited ("Cainiao Smart Logistics"), the ultimate controlling shareholder of Hangzhou Cainiao, and its subsidiaries (collectively, the "Cainiao Group") agreed to provide various logistics services including but not limited to warehouse operation and storage services, domestic and international delivery services, customs registration and clearance services, standard and special packaging services and other value-added and logistics services (the "Logistic Services") to the Group and the Group agreed to pay the service fees. The term of the 2020 Logistics Services Framework Agreement commenced from April 1, 2019 and ended on March 31, 2020. The annual cap for the service fees under the 2020 Logistics Services Framework Agreement was RMB92 million (which was revised to RMB120 million pursuant to an announcement of the Company dated November 29, 2019). The aggregate service fees incurred under the 2020 Logistics Services Framework Agreement for the year ended March 31, 2020 amounted to approximately RMB103.6 million (2019: RMB52.6 million).

On February 7, 2020 (as supplemented by an announcement of the Company dated April 1, 2020), the same parties entered into the renewed logistics services framework agreement (the "2021 Logistics Services Framework Agreement"), pursuant to which Hangzhou Cainiao agreed that Cainiao Group will provide the Logistics Services to the Group for a term of one year commencing from April 1, 2020 and ending on March 31, 2021 with an annual cap of RMB450 million, as approved by the independent Shareholders at the adjourned special general meeting held on April 9, 2020.

As the Company has been marketing and selling products or services online, it requires efficient and reliable logistics services to enable its products to be safely and promptly delivered to its customers. Accordingly, the Company entered into the 2020 Logistics Services Framework Agreement and the 2021 Logistics Services Framework Agreement with Hangzhou Cainiao, which is a well-established domestic and international logistics service solutions provider, to provide efficient and reliable logistics solutions to deliver its products to its customers.

As Alibaba Holding holds majority interests in Cainiao Smart Logistics, the ultimate controlling shareholder of Hangzhou Cainiao, Hangzhou Cainiao and any other members of the Cainiao Group are associates of Perfect Advance, and hence the connected persons of the Company. The transactions contemplated under the 2020 Logistics Services Framework Agreement and the 2021 Logistics Services Framework Agreement thus constitute continuing connected transactions of the Company. The 2021 Logistics Services Framework Agreement was approved by the independent Shareholders at the adjourned special general meeting held on April 9, 2020 in accordance with the Listing Rules.

(f) Continuing Connected Transactions — Shared Services Agreement

On March 28, 2019, the Company entered into the renewed shared services agreement (the "2020 Shared Services Agreement") with Alibaba Holding, pursuant to which Alibaba Holding shall procure certain shared service providers (the "Alibaba Services Providers"), including Alibaba Holding and persons controlled by it, to provide to the Group certain shared services (the "Shared Services"), including office premises sharing and various support services for a term of one year from April 1, 2019 to March 31, 2020. The annual cap for the service fees payable under the 2020 Shared Services Agreement was RMB83 million (which was revised to RMB130 million pursuant to an announcement of the Company dated November 29, 2019). The aggregate service fees incurred under the 2020 Shared Services Agreement for the year ended March 31, 2020 amounted to approximately RMB103.4 million (2019: RMB31.4 million).

On March 27, 2020, the same parties entered into the renewed shared services agreement (the "2021 Shared Services Agreement"), pursuant to which the Alibaba Service Providers shall provide the Shared Services to the Group, for a term of one year commencing from April 1, 2020 and ending on March 31, 2021, with an annual cap of RMB250 million.

The Company believes that the entering into of the 2020 Shared Services Agreement and the 2021 Shared Services Agreement will allow the Company to better leverage on the mature infrastructure and coverage already built by Alibaba Group and promote better cooperation between Alibaba Group and the Company.

As Alibaba Holding is a connected person of the Company, the transactions contemplated under the 2020 Shared Services Agreement and the 2021 Shared Services Agreement thus constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(g) Connected Transaction — Framework Technical Services Agreement

On May 18, 2017, Zhejiang Tmall Technology Co., Ltd* (浙江天貓技術有限公司) ("Tmall Technology") and Zhejiang Tmall Network Co., Ltd* (浙江天貓網絡有限公司) ("Tmall Network", together with Tmall Technology, the "Tmall Entities") and Alibaba Health Technology (Hangzhou) Co., Ltd* (阿里健康科技(杭州)有限公司) (formerly known as Hangzhou Hengping Information Technology Co., Ltd* (杭州衡平信息科技有限公司) ("Alibaba Health (Hangzhou)"), an indirect wholly-owned subsidiary of Ali JK entered into the framework technical services agreement (the "Framework Technical Services Agreement A"). The term of the Framework Technical Services Agreement A commenced on July 1, 2017 and will end on March 31, 2020, unless otherwise mutually agreed between the parties. Pursuant to the Framework Technical Services Agreement A, the Tmall Entities shall provide infrastructure technical support (the "Blue Cap Technical Services") for the operation of Tmall in respect of Blue Cap Health Food to the Alibaba Health (Hangzhou) for a service fee. The annual cap for the service fees payable under the Framework Technical Services Agreement A was RMB40 million, RMB65 million and RMB85 million for each of the financial years ended March 31, 2018, 2019 and 2020, respectively. The aggregate service fees incurred under the Framework Technical Services Agreement A during the year ended March 31, 2020 amounted to approximately RMB59.7 million (2019: RMB48.4 million), as approved by the independent Shareholders at the special general meeting held on June 29, 2017.

On March 27, 2020, the same parties entered into the renewed framework technical services agreement (the "2021–2023 Framework Technical Services Agreement"), pursuant to which the Tmall Entities will continue to provide the Blue Cap Technical Services to Alibaba Health (Hangzhou), for a term of three years commencing from April 1, 2020 and ending on March 31, 2023 with the annual caps of RMB100 million, RMB130 million and RMB170 million, respectively, for each of the financial years ending March 31, 2021, 2022 and 2023.

The Company considers the entering into of the Framework Technical Services Agreement and the 2021-2023 Framework Technical Services Agreement is necessary because the technical support and services from Tmall to the Company are crucial to allow the relevant merchants to operate on Tmall.

As the Tmall Entities are members of Alibaba Group, they are connected persons of the Company. The transactions contemplated under the Framework Technical Services Agreement A and the 2021-2023 Framework Technical Services Agreement thus constitute continuing connected transactions of the Company. Independent Shareholders approved the Framework Technical Services Agreement A and the transactions contemplated thereunder at the special general meeting held on June 29, 2017.

(h) Connected Transaction — Technical Services Framework Agreement

On May 28, 2018, the Tmall Entities and Lukang Pharmacy (Hangzhou) Co. Ltd* (鹿康大藥房(杭州)有限公司) (formerly known as Hangzhou Hengping Health Technology Co., Ltd* (杭州衡憑健康科技有限公司)) ("Lukang Pharmacy (Hangzhou)") entered into the framework technical services agreement (the "Framework Technical Services Agreement B"). The term of the Framework Technical Services Agreement B commenced on the day following completion of the Share Purchase Agreement dated May 28, 2018 in relation to the acquisition of 100% equity interest in Ali JK Medical Products Limited and will end on March 31, 2021, unless otherwise mutually agreed between the parties. Pursuant to the Framework Technical Services Agreement B, the Tmall Entities shall provide software technical support services relating to the operation of Tmall in respect of certain categories of products or services platforms (as specified in the announcement of the Company dated May 29, 2018) to Lukang Pharmacy (Hangzhou) for a service fee. The annual cap for the service fees payable under the Framework Technical Services Agreement B was RMB315 million, RMB590 million and RMB825 million for each of the financial years ended March 31, 2019 and 2020 and the financial year ending March 31, 2021, respectively. The aggregate service fees incurred under the Framework Technical Services Agreement B during the year ended March 31, 2020 amounted to approximately RMB500.5 million (2019: approximately RMB242.3 million), as approved by the independent Shareholders at the special general meeting held on August 1, 2018.

The Company considers the entering into of the Framework Technical Services Agreement B is necessary because the technical support and services from Tmall to the Company are crucial to allow the relevant merchants to operate on Tmall.

As the Tmall Entities are members of Alibaba Group, they are connected persons of the Company and the transactions contemplated under the Framework Technical Services Agreement B thus constitute continuing connected transactions of the Company. Independent Shareholders approved the Framework Technical Services Agreement B and the transactions contemplated thereunder at the special general meeting held on August 1, 2018.

(i) Connected Transaction — Share Purchase Agreement and Framework Technical Services Agreement

On February 6, 2020, the Company entered into a share purchase agreement (the "Share Purchase Agreement") with Ali JK, pursuant to which the Company acquired 100% equity interest in Ali JK ZNS Limited, an offshore holding vehicle incorporated under the laws of the British Virgin Islands by Ali JK to hold the target business. The aggregate consideration of HK$8.075 billion was satisfied by the Company issuing 860,874,200 consideration shares to Ali JK at completion, which took place on April 9, 2020. In connection with the transaction contemplated under the Share Purchase Agreement, Taobao Holding and the Company entered into a framework technical services agreement (the "Framework Technical Services Agreement C") on February 6, 2020. The term of the Framework Technical Services Agreement C commenced on the day following completion of the Share Purchase Agreement and will end on March 31, 2023, unless otherwise mutually agreed between the parties. Pursuant to the Framework Technical Services Agreement C, Taobao Holding and its subsidiaries will provide infrastructure technical support for the operation of the platforms on Tmall and Tmall Global in respect of certain categories of products or services sold on these platforms (as specified in the announcement of the Company dated February 6, 2020) to the Company for a service fee. The annual cap for the service fees payable under the Framework Technical Services Agreement C was RMB262 million, RMB464 million and RMB799 million for each of the financial years ending March 31, 2021, 2022 and 2023, respectively, as approved by the independent Shareholders at the adjourned special general meeting held on April 9, 2020.

The Company believes that its acquisition of the target business will enable it to: (a) further develop into Alibaba Group's healthcare flagship platform; (b) bring in an even broader set of merchants into the online healthcare community to enrich the ecosystem, and to organically complement and supplement the Company's four main businesses: pharmaceutical e-commerce, Internet healthcare, intelligent medicine and product tracking platform services; and (c) obtain more stable and sustainable revenue growth. In addition, the Company considers the entering into of the Framework Technical Services Agreement C is necessary because the technical support and services from Taobao Holding and its subsidiaries to the Company are crucial to allow the relevant merchants to operate on the platforms of Tmall and Tmall Global.

Perfect Advance is a substantial shareholder and a connected person of the Company. Ali JK is a direct wholly-owned subsidiary of Alibaba Holding and Alibaba Holding is the ultimate shareholder of Perfect Advance and Ali JK. Accordingly, the transaction contemplated under the Share Purchase Agreement constituted a discloseable and connected transaction of the Company in accordance with the Listing Rules. In addition, Taobao Holding is a subsidiary of Alibaba Holding and therefore a connected person of the Company and the transactions contemplated under the Framework Technical Services Agreement C thus constitute continuing connected transactions of the Company. Independent Shareholders approved the Share Purchase Agreement and the Framework Technical Services Agreement C and the transactions contemplated thereunder at the adjourned special general meeting held on April 9, 2020.

(j) Continuing Connected Transactions — Payment Services Framework Agreement

On March 28, 2019, the Company entered into the renewed payment services framework agreement (the "2020 Payment Services Framework Agreement") with Alipay.com Co., Ltd.* (支付寶(中國)網絡技術有限公司) ("Alipay"), pursuant to which Alipay agreed to provide certain payment services (the "Payment Services") to the Group and the Group agreed to pay the service fees. The term of the 2020 Payment Services Framework Agreement commenced from April 1, 2019 and ended on March 31, 2020. The annual cap for the service fees payable under the 2020 Payment Services Framework Agreement was RMB73 million. The aggregate service fees incurred under the 2020 Payment Services Framework Agreement during the year ended March 31, 2020 amounted to approximately RMB40.4 million (2019: RMB18.9 million).

On March 27, 2020, the same parties entered into the renewed payment services framework agreement (the "2021 Payment Services Framework Agreement"), pursuant to which Alipay agreed to provide the Payment Services to the Group, for a term of one year commencing from April 1, 2020 and ending on March 31, 2021 with an annual cap of RMB120 million.

As part of the Group's business, the Company has been marketing and selling products or services online as an online merchant which requires efficient and reliable payment services. By entering into the 2020 Payment Services Framework Agreement and the 2021 Payment Services Framework Agreement, the Group will be able to utilize the Payment Services provided by Alipay to enable safe and prompt real-time payment for its online transactions.

Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Holding is the ultimate shareholder of Perfect Advance. Since Ant Financial is indirectly held by Alibaba Holding as to 33% of its equity interest and Alipay is a wholly-owned subsidiary of Ant Financial, each of Ant Financial and Alipay is an associate of Perfect Advance and thus a connected person of the Company.

Accordingly, the transactions contemplated under the 2020 Payment Services Framework Agreement and the 2021 Payment Services Framework Agreement constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(k) Continuing Connected Transactions — Tracking Services Framework Agreement

On March 18, 2019, Alibaba Health (China), an indirect wholly-owned subsidiary of the Company, entered into the tracking services agreement (the "2020 Tracking Services Agreement") with Taobao China, pursuant to which Alibaba Health (China) agreed that the Group will provide Taobao China and its subsidiaries with certain tracking services (the "Tracking Services"). The aggregate service fees incurred under the 2020 Tracking Services Agreement for the year ended March 31, 2020 amounted to approximately RMB2 million, which did not exceed HK$3 million and the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules were less than 5%. Therefore, the transactions contemplated under the 2020 Tracking Services Agreement constituted fully exempt continuing connected transactions.

On March 27, 2020, Alibaba Health (HK) entered into the renewed tracking services framework agreement (the "2021 Tracking Services Framework Agreement") with Taobao China, pursuant to which the Group agreed to provide to Taobao China and its subsidiaries the Tracking Services for a term commencing on April 1, 2020 and ending on March 31, 2021. The annual cap for the service fees payable under the 2021 Tracking Services Framework Agreement was RMB10 million.

The provision of tracking services to Taobao China pursuant to the 2020 Tracking Services Agreement and the 2021 Tracking Services Framework Agreement enables the Group to further leverage on its prior accumulated technical and operational experience in the development of product tracking platforms and thereby increase its sources of revenue and enhance its operational efficiency.

Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Holding is the ultimate shareholder of Perfect Advance. As Taobao China is an indirect wholly-owned subsidiary of Alibaba Holding, Taobao China is an associate of Perfect Advance and hence a connected person of the Company. The transactions contemplated under the 2020 Tracking Services Agreement and the 2021 Tracking Services Framework Agreement thus constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(l) Continuing Connected Transactions — Mobile Games Services Framework Agreement

On April 1, 2019, Alibaba Health (Beijing) entered into the mobile games services framework agreement (the "Mobile Games Services Framework Agreement") with Guangzhou Aijiuyou Information Technology Co., Ltd* (廣州愛九遊信息技術有限公司) ("Aijiuyou"), pursuant to which Alibaba Health (Beijing) agreed to provide login link information services for the products of Aijiuyou through the services platform, which enables individual users to login and participate in the mobile games developed by Aijiuyou, for a term commencing from April 1, 2019 to March 31, 2020. The annual cap for the service fees payable under the Mobile Games Services Framework Agreement was RMB20 million. The aggregate service fees incurred under the Mobile Games Services Framework Agreement during the year ended March 31, 2020 was nil.

As the medical and healthcare services industry continues to grow, the Group believes that there is an increasing need for online advertising and digital marketing to capture further market share. By cooperating with Aijiuyou, which is an innovative gaming company in the PRC, the Group believes that it will provide a new platform and advertising channel for promoting its businesses, and increasing its brand awareness, brand presence and the purchase intent of the targeted customers.

Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Holding is the ultimate shareholder of Perfect Advance. As Aijiuyou is a consolidated entity of Alibaba Holding, it is a connected person of the Company. The transactions contemplated under the Mobile Games Services Framework Agreement thus constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(m) Continuing Connected Transactions — Lease Agreement

On April 15, 2019, Alibaba Health (China) and Taobao (China) Software Co., Ltd.* (淘寶(中國)軟件有限公司) ("Taobao Software") entered into the lease agreement (the "Lease Agreement"), pursuant to which Alibaba Health (China) agreed to sublet 23rd floor, Building No. 11, 4th District, Wangjing East Park, Chaoyang District, Beijing, the PRC (the "Premises") to Taobao Software for a term commencing from April 15, 2019 to March 31, 2021 at a monthly rent of approximately RMB776,000 (inclusive of tax). The total annual sum to be received by the Group under the Lease Agreement for each of the financial years ending March 31, 2020 and March 31, 2021 was expected to be no more than RMB8,747,000 (inclusive of the first management service fee advanced by Alibaba Health (China) and be repaid by Taobao Software) and RMB8,717,000, respectively. The total annual sum received by the Group under the Lease Agreement during the year ended March 31, 2020 amounted to approximately RMB8.1 million.

By entering into the Lease Agreement, the Group agreed to sublet the Premises at market rates to Taobao Software in order to enable better deployment and sharing of resources with Alibaba Group.

Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Holding is the ultimate shareholder of Perfect Advance and Taobao Software is a member of Alibaba Group. Accordingly, Taobao Software is a connected person of the Company. The transactions contemplated under the Lease Agreement constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(n) Continuing Connected Transactions — Koubei Services Framework Agreement

On January 3, 2020, Alibaba Health (China), entered into the services framework agreement (the "Koubei Services Framework Agreement") with Koubei (Shanghai) Information Technology Co., Ltd.* (口碑(上海)信息技術有限公司) ("Koubei Shanghai"), pursuant to which Koubei Shanghai agreed, via the Group, to provide business sourcing and promotion services (including system software services and other payable services) to merchants under certain categories of products or services (as defined in the announcement of the Company dated January 3, 2020) referred by the Group, for a term commencing on January 3, 2020 and ending on March 31, 2021. The annual cap for the service fees under the Koubei Services Framework Agreement for the year ended March 31, 2020 and the year ending March 31, 2021 was HK$15 million and HK$95 million, respectively. The aggregate service fees incurred under the Koubei Services Framework Agreement for the year ended March 31, 2020 was nil.

Koubei Shanghai has the expertise and capabilities in localised publicity and promotion for merchants of aesthetic medicine and oral health, while the Group has professional capabilities in the operational and marketing planning for these merchants. By entering into the Koubei Services Framework Agreement, the parties will be able to complement their resources from their respective areas, to enhance user experience and improve the operational capabilities of merchants under the aesthetic medicine and oral health categories, and deliver quality services to these merchants under wider applications. By establishing a cooperation relationship with Koubei Shanghai, the Group will be able to capitalise on market opportunities in relation to the rising demand of the aesthetic medicine and oral health industries in the PRC and further expand its market share in these industries.

Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Holding is the ultimate shareholder of Perfect Advance and Koubei Shanghai is a consolidated entity of Alibaba Holding. Accordingly, Koubei Shanghai is also a connected person of the Company. The transactions contemplated under the Koubei Services Framework Agreement constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(o) Continuing Connected Transactions — Supply and Purchase Framework Agreement

On March 28, 2019, the Company entered into the renewed supply and purchase framework agreement (the "2020 Supply and Purchase Framework Agreement") with Alibaba.com Singapore E-Commerce Private Limited ("Alibaba Singapore"), pursuant to which the Company agreed to supply and purchase various products including but not limited to health products, nutritional supplements and family planning products to or from Alibaba Group on the platforms and stored operated by Alibaba Group from time to time (the "Supply and Purchase of Products") for a term commencing on April 1, 2019 and ending on March 31, 2020. The annual cap under the 2020 Supply and Purchase Framework Agreement was RMB20 million (in relation to supply of products) and RMB20 million (in relation to purchase of products, which was revised to RMB35 million pursuant to an announcement of the Company dated February 21, 2020). The aggregate purchases incurred under the 2020 Supply and Purchase Framework Agreement for the year ended March 31, 2020 amounted to approximately RMB30.1 million (2019: Nil). The aggregate supplies incurred under the 2020 Supply and Purchase Framework Agreement for the year ended March 31, 2020 amounted to approximately RMB1.6 million (2019: RMB0.3 million).

On March 27, 2020, the same parties entered into the renewed supply and purchase framework agreement (the "2021 Supply and Purchase Framework Agreement") for the Supply and Purchase of Products for a term of one year commencing from April 1, 2020 and ending on March 31, 2021 with the annual caps of RMB50 million (in relation to supply of products) and RMB150 million (in relation to purchase of products), respectively.

The Company believes that the entering into the 2020 Supply and Purchase Framework Agreement and the 2021 Supply and Purchase Framework Agreement allows the Group to procure products from and market and sell products on or through platforms, stores and distribution channels operated by Alibaba Group, which will be able to expand its product portfolio, broaden its customer base and the source of procurement and generate higher sales volume.

Alibaba Singapore is an indirect wholly-owned subsidiary of Alibaba Holding. Accordingly, Alibaba Singapore is an associate of Perfect Advance and hence a connected person of the Company. The transactions contemplated under the 2020 Supply and Purchase Framework Agreement and the 2021 Supply and Purchase Framework Agreement thus constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(p) Continuing Connected Transactions — Advertising Services Framework Agreement

On January 30, 2019, the Company (for itself and on behalf of its subsidiaries) and Alibaba Holding (for itself and on behalf of its subsidiaries and affiliates) entered into the renewed advertising service framework agreement (the "2020 Advertising Service Framework Agreement") for a term commenced from April 1, 2019 and ended on March 31, 2020, pursuant to which Alibaba Group provided certain advertising services, including but not limited to the display of advertisements on the various platforms supported by Alibaba Group (the "Advertising Services"), in return for the advertising fees which shall be calculated in accordance with the underlying standard advertising services agreements and the standard terms and conditions as amended and published on Alibaba Group's online platforms from time to time. The annual cap for the service fees payable under the 2020 Advertising Services Framework Agreement was RMB252 million, as approved by the independent Shareholders at the special general meeting held on March 29, 2019. The aggregate service fees incurred under the 2020 Advertising Service Framework Agreement for the year ended March 31, 2020 amounted to approximately RMB188.9 million (2019: RMB52.5 million).

On February 7, 2020 (as supplemented by an announcement of the Company dated April 1, 2020), the same parties entered into the renewed advertising services framework agreement (the "2021 Advertising Services Framework Agreement") in relation to the provision of the Advertising Services provided from Alibaba Group to the Group for a term of one year commencing from April 1, 2020 and ending on March 31, 2021, with an annual cap of RMB500 million, as approved by the independent Shareholders at the adjourned special general meeting held on April 9, 2020.

The Group believes that the advertising services and resources provided by Alibaba Group are effective marketing tools and will enable the Group to reach out to more customers and boost the sales of the Group's and its clients' products. Hence, the Group intends to allocate more resources in advertising services provided by Alibaba Group going forward and considers that the entering into of the 2020 Advertising Services Framework Agreement and the 2021 Advertising Services Framework Agreement would facilitate the administration of the purchase of Advertising Services by the Group.

Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Holding is the ultimate shareholder of Perfect Advance and accordingly a connected person of the Company. Alimama is an indirect wholly-owned subsidiary of Alibaba Holding. Accordingly, Alimama is an associate of Perfect Advance and also a connected person of the Company. The transactions contemplated under the 2020 Advertising Services Framework Agreement and the 2021 Advertising Services Framework Agreement constitute continuing connected transactions for the Company in accordance with the Listing Rules. Moreover, the 2020 Advertising Services Framework Agreement and the 2021 Advertising Services Framework Agreement were approved by the independent Shareholders at the special general meetings held on March 29, 2019 and April 9, 2020 respectively, in accordance with the Listing Rules.

(q) Connected Transactions — Subscription Agreements

On May 23, 2019 (before trading hours), the Company and Ali JK entered into the subscription agreement (the "Ali JK Subscription Agreement") in relation to the subscription of an aggregate of 242,400,000 subscription shares at the subscription price of HK$1,818,000,000. On the same day (before trading hours), the Company and Antfin entered into the subscription agreement (the "Antfin Subscription Agreement") in relation to the subscription of an aggregate of 60,576,000 subscription shares at the subscription price of HK$454,320,000. On July 12, 2019, the aforesaid number of subscription shares were issued to Ali JK and Antfin at a subscription price of HK$7.5 per share, respectively.

The subscriptions by Ali JK and Antfin have enabled the Group to raise funds for its expanding business operations and maintain a healthy cash position, while keeping its borrowings and hence interest expenses low. The participation in the subscription by Alibaba Holding (through Ali JK, its wholly-owned subsidiary), which is the ultimate majority shareholder of the Company, demonstrates its continued support for the Company's development as Alibaba Group's flagship vehicle to execute its data-driven healthcare strategy. At the same time, the Company believes that the participation in the subscription by Ant Financial (through Antfin, its wholly-owned subsidiary) will also facilitate deeper cooperation with Ant Financial, with which it had already previously signed a strategic cooperation agreement, as disclosed by the Company in its announcement dated November 14, 2018.

As Ali JK is a substantial shareholder of the Company, and also a wholly-owned subsidiary of Alibaba Holding, the ultimate majority shareholder of the Company, Ali JK is a connected person of the Company. Since Ant Financial is indirectly held by Alibaba Holding as to 33% of its equity interest and Antfin is an indirect wholly-owned subsidiary of Ant Financial, Antfin is also a connected person of the Company. Accordingly, the entering into of the Ali JK Subscription Agreement and the Antfin Subscription Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under the Listing Rules. The Ali JK Subscription Agreement and the Anfin Subscription Agreement were approved by the independent Shareholders at the special general meeting held on July 10, 2019 in accordance with the Listing Rules.

The Group has imposed internal control procedures to ensure that the continuing connected transactions are conducted in accordance with the pricing policies or mechanism under the relevant framework agreements. A specialized internal audit function carried out independent appraisal of the adequacy and effectiveness of the internal control procedures and reviewed all the connected transactions. Any findings by the internal audit function have been provided to the Directors to assist them in performing the annual review of the continuing connected transactions. The independent non-executive Directors have reviewed the above continuing connected transactions and have confirmed that such continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Ernst & Young, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audit or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

During the year, save as disclosed in note 37 to the consolidated financial statements, the Group had no material transactions with its related parties.

The Directors have conducted review of the related party transactions of the Group during the year and were not aware of any transactions requiring disclosure of connected transactions in accordance with the Listing Rules except for those disclosed in the section of "Connected Transactions" in this report.

CONTRACTUAL ARRANGEMENTS

Overview

The business of the Group involves the provision of commercial Internet information services, which in turn requires certain members of our Group to hold a value-added telecommunication business license (the "ICP License") for the provision of such services (the "Restricted Businesses"). As applicable PRC laws and regulations currently in force restrict foreign investment in businesses involving the provision of commercial Internet information services, the Group entered into a series of contractual arrangements with respect to two subsidiaries of our Company, Hongyun Jiukang Data Technology (Beijing) Company Limited* (弘雲久康數據技術(北京)有限公司) ("Hongyun Jiukang") and Alibaba Health Hebei Information Technology Co., Ltd.* (阿里健康河北信息技術有限公司) ("Alibaba Health Hebei", together with Hongyun Jiukang, the "Opcos") pursuant to which our Company obtained effective control over, and received all the economic benefits generated by, the businesses operate by the Opcos (the "Contractual Arrangements"), and the Opcos, in turn, hold the ICP License and operate the Restricted Business. Through the Contractual Arrangements, the results of operations, assets and liabilities, and cash flows of the Opcos were consolidated into our Company's financial statements, and the Opcos were regarded as indirect subsidiaries of the Group under HKFRS 10 during the year ended March 31, 2020. Further details in relation to the Contractual Arrangements are set out below:

(a) Particulars of Opcos and their respective registered owners

As at March 31, 2020, the particulars of the Opcos and their respective registered owners (the "Registered Owners") are as follows:

Name of Opco	Registered owners	Registered capital	Principal activities
Hongyun Jiukang	50% by Jiang Fang (蔣芳) 50% by Jin Jian Hang (金建杭)	RMB500,000 RMB500,000	Investment holding
Alibaba Health Hebei	50% by Jiang Fang (蔣芳) 50% by Jin Jian Hang (金建杭)	RMB5,000,000 RMB5,000,000	Investment holding

The following table sets forth the subsidiaries of Hongyun Jiukang as at March 31, 2020. Alibaba Health Hebei did not have any subsidiary as at March 31, 2020.

Name of subsidiary	Holding company	Ownership	Principal activities
Alibaba Health (Haikou) Smart Internet Hospital Co., Ltd.* (阿里健康(海口)智慧互聯網醫院有限公司)	Hongyun Jiukang	100%	Provision of medical services and smart healthcare solutions
Alibaba Health (Hainan) Internet Hospital Co., Ltd.* (阿里健康(海南)互聯網醫院有限公司)	Hongyun Jiukang	100%	Network hospital services
Alibaba Health (Hainan) Remote Medical Centre Co., Ltd.* (阿里健康(海南)遠程醫療中心有限公司)	Hongyun Jiukang	100%	Provision of medical services, medical equipment and smart healthcare solutions
Hangzhou Hongyun Kangsheng Equity Investment Co., Ltd.* (杭州弘雲康晟股權投資有限公司)	Hongyun Jiukang	100%	Investment holding and asset management
Alibaba Health Technology (Guangzhou) Co., Ltd.* (阿里健康科技(廣州)有限公司)	Hongyun Jiukang	100%	Provision of healthcare related technology consultancy services
Alibaba Health Network Hospital Co., Ltd.* (阿里健康網絡醫院有限公司)	Hongyun Jiukang	100%	Network hospital services
Chongqing Bianque Health Data Technology Co., Ltd* (重慶扁鵲健康數據技術有限公司)	Hongyun Jiukang	90%	Healthcare related data services
Seenew Medical Technology (Zhejiang) Co., Ltd.* (熙牛醫療科技(浙江)有限公司)	Hongyun Jiukang	80%	Operation of AI cloud-based hospital information platform
Yunnan Jiukangyixin Information Technology Service Co., Ltd.* (雲南久康一心信息技術服務有限公司)	Hongyun Jiukang	80%	Application software services
Alibaba Health Xi'an Gaoxin Internet Hospital Co., Ltd.* (阿里健康西安高新互聯網醫院有限公司)	Hongyun Jiukang	51%	Network hospital services
Alibaba Health Technology (Beijing) Company Limited* (阿里健康科技(北京)有限公司)	Hongyun Jiukang	100%	Provision of e-commerce platform services and technical services

(b) Summary of the major terms of the Contractual Arrangements

As at March 31, 2020, there were two sets of ongoing Contractual Arrangements in place entered into between:

(i) Alibaba Health (China) (formerly known as Alibaba Health Technology (Beijing) Co., Ltd.* (阿里健康科技(北京)有限公司)) (as the Company's subsidiary), Hongyun Jiukang (as the Opco), Ms. Jiang Fang 蔣芳 and Mr. Jin Jian Hang 金建杭 (as the Registered Owners); and

(ii) Alibaba Health (China) (as the Company's subsidiary), Alibaba Health Hebei (as the Opco), Ms. Jiang Fang 蔣芳 and Mr. Jin Jian Hang 金建杭 (as the Registered Owners).

Each of the above sets of Contractual Arrangements includes the following agreements with substantially similar terms. A brief summary of the major terms of these agreements are set out below:

(1) Exclusive Technical Service Agreements (獨家技術服務協議)

Pursuant to the Exclusive Technical Service Agreements, the relevant Opco agreed to engage Alibaba Health (China) as its exclusive provider of technical support and consultancy services ("Technical Services") in connection with the relevant Opco's business (to the extent permitted under the applicable PRC laws) in exchange for service fees. The service fees are fixed with reference to the actual content and commercial value of the Technical Services. Alibaba Health (China) may adjust the amount of service fees with reference to the actual services provided and the actual business operations of the relevant Opco. Unless otherwise prescribed under the PRC laws and regulations and subject to limitations under the Exclusive Technical Service Agreements, Alibaba Health (China) shall have exclusive proprietary rights to any intellectual property (including but not limited to copyright, patent, technical secret and trade secret) in the work product developed by Alibaba Health (China) or the relevant Opco in the course of the provision of services under the relevant Exclusive Technical Service Agreement. Each of the Exclusive Technical Service Agreements has a term of 30 years and will be automatically renewed for consecutive terms of one year upon expiry unless otherwise notified by Alibaba Health (China). The relevant Exclusive Technical Service Agreement shall be terminated prior to expiration in the event that the business period of either Alibaba Health (China) or the relevant Opco expires.

(2) Loan Agreements (借款協議)

Pursuant to the Loan Agreements, Alibaba Health (China) agreed to provide any interest-free loans to the relevant Registered Owners as capital contribution to the relevant Opco only and may not use such loans for other purposes without the consent of Alibaba Health (China). The relevant Registered Owners, in return for the provision of loans, agreed to enter into an equity interest pledge agreement with Alibaba Health (China) to pledge all of his or her equity interests in the relevant Opco as security. The term of each loan under the relevant Loan Agreement is 30 years from the effective date, or for a period until expiration of the business period of Alibaba Health (China) or the relevant Opco, whichever is earlier. The Registered Owners shall repay the loan upon expiration of the term or any earlier time as may be determined by Alibaba Health (China) at its absolute discretion. In such circumstances, unless otherwise prohibited by the applicable laws and regulations, Alibaba Health (China) or its designee is entitled to acquire all equity interest held by the relevant Registered Owners in the relevant Opco for a consideration equal to the loan amount. The Registered Owners shall waive any pre-emptive rights upon transfer of equity interest in the relevant Opco to Alibaba Health (China). Any tax arising from the loan shall be borne by Alibaba Health (China).

(3) Equity Interest Pledge Agreements (股權質押協議)

Pursuant to the Equity Interest Pledge Agreements, the Registered Owners agreed to pledge all their respective equity interests in the relevant Opco to Alibaba Health (China), as a security interest to guarantee the performance of contractual obligations and the payment of outstanding loans of the Registered Owners. Unless due to the intentional misconduct or gross negligence of Alibaba Health (China), Alibaba Health (China) shall not be liable for any decrease in value of the pledged interests, and the Registered Owners shall not have any right to claim against Alibaba Health (China) as a result of such decrease in value. However, in the event that the decrease in value of the pledged interests may jeopardize rights of Alibaba Health (China), or upon occurrence of default, Alibaba Health (China) may auction or sell the pledged interests for and on behalf of the Registered Owners and allocate the money received for loan prepayment or deposit such money to Alibaba Health (China)'s local notary office. The pledge in respect of an Opco takes effect upon the completion of registration with the competent authority and shall remain valid until all the contractual obligations of the Registered Owners and the relevant Opco under the relevant set of Contractual Arrangements have been fully performed and that all outstanding loans have been fully repaid. During the period of the pledge, without the prior written consent of Alibaba Health (China), the Registered Owners shall not create or agree to create any new pledge or other security on the equity interests of the relevant Opco, nor assign or transfer any of the equity interests in the relevant Opco.

(4) Powers of Attorney on Shareholders' Voting Rights (股東表決權委託協議)

Pursuant to the Powers of Attorney on Shareholders' Voting Rights, each of the Registered Owners irrevocably appointed designee(s) of Alibaba Health (China), who are PRC nationals, to act as his/her attorney on his/her behalf to exercise all rights in connection with matters concerning his/her right as shareholder of the relevant Opco, including but not limited to: (a) attending the shareholders' meeting of the relevant Opco as representative of the relevant Registered Owners; (b) exercising shareholders' voting rights on resolutions at shareholders' meeting, including but not limited to, the designation and appointment of directors and other senior management that has to be appointed by the shareholders; (c) other matters decided or executed by the shareholders pursuant to the relevant constitutional documents; and (d) signing relevant documents when the relevant Registered Owners sell or transfer all or part of his/her equity interests pursuant to the Exclusive Option Agreements. The Powers of Attorney on Shareholders' Voting Rights shall remain effective for 30 years and will be automatically renewed for consecutive terms of one year upon expiry unless otherwise notified by Alibaba Health (China). The Powers of Attorney on Shareholders' Voting Rights shall be terminated prior to expiration in the event that the business period of either Alibaba Health (China) or the relevant Opco expires.

(5) Exclusive Option Agreements (獨家購買權協議)

Pursuant to the Exclusive Option Agreements, the relevant Registered Owners agreed to irrevocably, unconditionally and exclusively grant an exclusive option to Alibaba Health (China) so that Alibaba Health (China) may elect to purchase, when permitted by the then applicable PRC laws, all or any part of the equity interests from the relevant Registered Owners and/or all or any of the assets in the relevant Opco by themselves or through their designee(s). In the event that any of the options is exercised by Alibaba Health (China), the transfer price of the relevant equity interests and assets shall correspond to the registered capital amount and the net asset value, respectively, or the legal minimum price under the then applicable PRC laws (as the case may be). Subject to the applicable PRC laws, each of the Registered Owners shall transfer all the consideration he/she receives in relation to such transfer of equity interests and assets in the relevant Opco to Alibaba Health (China) or its designee, after deduction of applicable taxes and government fees and repayment of any outstanding debt pursuant to the Loan Agreements. Pursuant to the Exclusive Option Agreements, without the prior written consent of Alibaba Health (China), the relevant Registered Owners shall not sell, transfer, mortgage or dispose of in any manner any assets of the relevant Opco (except in the ordinary course of business) or legal or beneficial interest in the business or revenues of the relevant Opco, allow the creation of any security interest thereon, or allow the alteration of the registered capital of the relevant Opco or merger of the relevant Opco with any other entity. The Exclusive Option Agreements shall remain effective from the execution date and terminate when all the equity interests and assets of the relevant Opco have been legally transferred to Alibaba Health (China) or its designee in accordance with the terms of the relevant Exclusive Option Agreement.

(c) Revenue and assets subject to the Contractual Arrangements

During the year ended March 31, 2020, the Group expanded the scale of investments and business operated under the Opcos, and revenues generated from and assets held through the Opcos had begun to form a material portion of the Group's total revenue and assets. The following table sets forth (i) revenue and (ii) assets involved in the Opcos which are consolidated into the Group's financial statements pursuant to the Contractual Arrangements:

	For the financial year ended March 31, 2020	
	Revenue	**Assets**
	(RMB'000) (proportionate to the Group)	***%***
Hongyun Jiukang	**39,859**	**791,851**
	(0.4%)	**10.1%**
Alibaba Health Hebei	**–**	**87,812**
	(0%)	**1.1%**

(d) Reasons for using the Contractual Arrangements

According to the Catalogue for Guidance of Foreign Investment (外商投資產業指導目錄) (the "FITE Regulations"), the proportion of foreign equity ownership in the entity that provides commercial Internet information services shall not exceed 50%. Further, according to the FITE Regulations, subject to the foreign ownership restrictions as set out above, the significant foreign investor of an entity that provides commercial Internet information services must also be able to demonstrate good performance of and experience in operating a value-added telecommunication business. As the Company and its subsidiaries do not meet such qualification requirement, neither the Company nor any of its offshore subsidiaries is qualified to apply to any competent government authorities to establish a foreign invested telecommunication enterprise and obtain an ICP License to operate the Restricted Business. In the opinion of the Company's PRC legal advisers, the Contractual Arrangements do not violate applicable PRC laws and regulations.

(e) Risks associated with the Contractual Arrangements and the actions taken by the Group to mitigate the risks

The Company's PRC legal advisers had advised us that while the Contractual Arrangements do not violate the applicable PRC laws and regulations, there are uncertainties regarding the interpretation and application of the currently applicable PRC laws, rules, and regulations. As such, the Group believes the following risks are associated with the Contractual Arrangements:

- If the PRC government finds that the Contractual Arrangements that allow us to consolidate the results of operations, assets and liabilities, and cash flows of the Opcos which operate the Restricted Businesses do not comply with applicable PRC laws and regulations, we could be subject to penalties and our business may be materially and adversely affected;

- Certain terms of the Contractual Arrangements may not be enforceable under the PRC laws;
- The Contractual Arrangements may not be as effective in providing control over the Opcos as equity ownership;
- Any failure by the Opcos or the Registered Owners to perform their obligations under the Contractual Arrangements would potentially lead to us having to incur additional costs and expend material resources to enforce such arrangements, temporary or permanent loss of control over the Restricted Businesses and the revenue from these businesses;
- The Registered Owners may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition;
- If any of Alibaba Health (China) or the Opcos becomes the subject of a bankruptcy or liquidation proceeding, we may lose the ability to use and enjoy certain important assets, which could materially and adversely affect our business; and
- Our exercise of the option to acquire the equity interests of the Opcos may be subject to certain limitations and the ownership transfer may incur substantial costs.

In view of the regulatory risks associated with the Contractual Arrangements, the Group closely follows the latest developments with regards to the relevant PRC laws, rules and regulations. The Group will seek professional legal advice when there are any changes or updates in this regard and to deal with specific issues arising from the Contractual Arrangements. The Group periodically reviews the Contractual Arrangements and assesses the financial situation of the Opcos on a regular basis.

(f) Material changes in the foreign ownership restriction requirements

The Contractual Arrangements have been put in place purely to allow the Group to comply with the foreign ownership restrictions under FITE Regulations. During the financial year ended March 31, 2020, there was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted, and none of the Contractual Arrangements had been unwound as the regulatory restrictions that led to their adoptions were not removed.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended March 31, 2020.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year ended March 31, 2020. The Company has taken out and maintained appropriate insurance coverage in respect of potential legal actions against the Directors and officers of the Company.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the following Director had declared interests in the following businesses (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group during the year ended March 31, 2020:

As at the date of this report, Mr. Wu Yongming ("Mr. Wu"), a non-executive Director, was the controlling shareholder of Hangzhou Vision Plus Capital Management Company Limited* (杭州圓璟投資管理有限公司). Hangzhou Vision Plus Capital Management Company Limited* (杭州圓璟投資管理有限公司) and its associates were one of the substantial shareholders of the following companies: Choice Technology Inc., a company which operates a medical healthcare systems and data services platform, Beijing Huifukang Information Consultancy Co., Ltd* (北京惠福康信息諮詢有限公司), a company which operates an online doctor referral platform, Shanghai Mudi Biological Technology Co., Ltd.* (上海妙一生物科技有限公司), a company which operates online clinical research platform, Yawlih Technology (Beijing) Co., Ltd.* (曜立科技(北京)有限公司), a company which provides hospital and other medical data cleansing technology solution, Lingyi Information Technology (Shanghai) Co., Ltd.* (翎醫信息科技(上海)有限公司), a company which provides maternity and infant-related patient management tools and marketing platform services, Shanghai Yiyong Health Information Consulting Co., Ltd.* (上海易雍健康信息咨詢有限公司), a company engaged in third-party health insurance services and Hangzhou Yunhu Network Technology Co., Ltd.* (杭州雲呼網絡科技有限公司), a company engaged in the operation of medical examination resources Internet platform. These companies, directly or through their subsidiaries or associates or by way of other forms of investments, carry out businesses which are considered to compete or likely to compete with the businesses of the Group.

Given that Mr. Wu is a non-executive Director and does not participate in the day-to-day operations of the Group, the Directors believe that it would be unlikely that Mr. Wu's aforesaid interests in the above companies would cause any material adverse impact to the business of the Group. Mr. Wu has confirmed he is fully aware of and has been discharging his fiduciary duties to the Company to avoid conflicts of interest. In situations where any conflict of interests arises, Mr. Wu will refrain from participating in discussion, taking part in the decision-making process and voting on the relevant Board resolutions at the Board meetings.

In addition, Mr. Wu had also voluntarily entered into a deed of non-competition dated September 17, 2015 in favor of the Company to agree to certain measures to minimize potential competition between the Company and the business(es) invested in by certain funds in which he is interested. The deed of non-competition is valid for the period commencing on the date of the deed of non-competition until the earlier of either of the following events or circumstances occurs:

(a) the liquidation of the relevant funds is completed, provided that if any successor fund is raised, the date shall be extended to such date when (i) the liquidation of all successor funds is completed and (ii) Mr. Wu has no intention to raise any additional successor fund; or

(b) Mr. Wu ceases to be a Director, or to otherwise hold a position in the Company which owes fiduciary duties to the Company.

The Company believes that the deed of non-competition provides adequate measures to monitor, and the opportunity to address, any acquisitions of interests of Mr. Wu in businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group. The Company would like to emphasize that the Board is independent from the boards of directors of the above-mentioned entities, and is accountable to the Shareholders as a whole. Coupled with the diligence of its independent non-executive Directors whose views carry significant weight in the Board's decisions, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of the above-mentioned entities in which Mr. Wu is interested.

Save as disclosed, during the year ended March 31, 2020 and up to the date of this report, none of the Directors is considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and has any other conflicts of interest, as required to be disclosed under the Listing Rules.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITOR

During the year ended March 31, 2015, Messrs. Deloitte Touche Tohmatsu resigned as auditor of the Company and Messrs. Ernst & Young were appointed by the Directors to fill the casual vacancy so arising. There have been no other changes of auditor since then. A resolution for the reappointment of Ernst & Young as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

ZHU Shunyan
Chairman and Chief Executive Officer

Hong Kong
May 27, 2020

* *For identification purpose only*

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. ZHU Shunyan, aged 49, was appointed as an executive Director, Chairman of the Board and Chief Executive Officer of the Company on March 16, 2020. Mr. Zhu is the President of the Innovation Initiatives Segment of the ultimate controlling shareholder of the Company, Alibaba Holding (with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange (Stock Symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 9988)). Since May 2020, he has also been a director of Meinian Onehealth, a company listed on SZSE (Stock Code: 2044). Prior to joining Alibaba Group, Mr. Zhu founded Wuhan Xuncai Technology Co., Ltd.* (武漢迅彩科技公司) in 2003. He joined the founding team of UC Browser in 2007 as senior vice president, and was responsible for the marketing and commercialization of UC Browser. The business of UC Browser was acquired by Alibaba Group in June 2014. In June 2016, Mr. Zhu became the president of Alimama Business Group, a leading big data marketing platform in the PRC operated by Alibaba Group. He has been (i) the president of UC Browser since December 2017, (ii) the president of New Media Businesses of Alibaba Digital Media & Entertainment Business Group and in charge of the business departments of UC Browser, Alibaba Music and Innovation Business since December 2018, and (iii) the president of the Innovation Initiatives Segment since June 2019. Mr. Zhu obtained a Bachelor of Science Degree in Mathematics in 1993 from Yanshan University in the PRC. He obtained a Master Degree in Computing Software in 1996 from Huazhong University of Science and Technology in the PRC.

Mr. WANG Qiang, aged 42, was appointed as an executive Director on July 20, 2018. Mr. Wang joined the Group since September 2017, and is responsible for the Group's pharmaceutical e-commerce business. He was the chief financial officer of the Group from September 2017 to March 2020. He currently serves as a director of certain subsidiaries of the Company and also acts as a consultant to Alibaba Group. Prior to joining the Group, Mr. Wang was the vice president of Intime Retail (Group) Company Limited ("Intime") since January 2014 and chief financial officer of Intime since July 2014, and was responsible for the company's financial management, cost control, investment development, legal affairs, information management, capital markets and investor relations. He had been assistant to president of Intime since February 2012 and general manager of financial management department of Intime since March 2008, responsible for Intime's financial management. Prior to joining Intime, he took various financial management positions in Veolia Water, Asia Pacific and ABB China from 1999 to 2008. Mr. Wang was also a director of Wuhan Department Store Group Co., Ltd., a company listed on the SZSE (Stock Code:00501) from December 2013 to June 2018. He graduated from the accounting department of Renmin University of China in 1999 and obtained a bachelor's degree in economics.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. WU Yongming, aged 45, was appointed as a non-executive Director and Chairman of the Board on April 17, 2015. Mr. Wu stepped down as the Chairman of the Board with effect from March 16, 2020. Mr. Wu is currently the president of Alibaba Group. He has been a senior vice president of Alibaba Group since June 2010 and a special assistant to the chairman of the board of directors of Alibaba Holding since September 2014. Mr. Wu also served as technology director of Alibaba (China) Technology Co., Ltd.* (阿里巴巴(中國)網絡技術有限公司) from September 1999, technology director of Alipay (China) Information Technology Co., Ltd.* (支付寶(中國)網絡技術有限公司) from December 2004, P4P business director of Alibaba Group from November 2005, general manager of Hangzhou Alimama Technology Co., Ltd.* (杭州阿里媽媽網絡技術有限公司) from December 2007, chief technology officer of Taobao (China) Software Co., Ltd.* (淘寶(中國)軟件公司) from September 2008, and was responsible for Alibaba Group's search business, advertising business and mobile business from October 2011. Mr. Wu is currently a director of Momo, Inc., the shares of which are listed on NASDAQ (Stock Code: MOMO) since December 2018. Mr. Wu was previously a director of AutoNavi Holdings Limited, a then NASDAQ-listed company, from May 2013 to July 2014. Mr. Wu graduated from college of information engineering of Zhejiang University of Technology, the PRC in June 1996.

Mr. WANG Lei, aged 40, was re-designated as a non-executive Director on March 29, 2018, prior to which he had been an executive Director and a chief executive officer of the Company since April 17, 2015. Mr. Wang is a member of Alibaba Partnership and currently serves as a president of Local Services, a subsidiary of Alibaba Holding and chief executive officer of Ele.me. Prior to this position, Mr. Wang was the general manager of Alibaba Group's Taobao Diandian business from September 2013. Mr. Wang held various positions within Alibaba Group since he joined Alibaba Group in 2003, including senior director of the B2B advertising service department and senior director of the mobile Internet business department's O2O workshop. Mr. Wang holds a bachelor's degree in precision instruments from China Jiliang University.

Mr. XU Hong, aged 46, was appointed as a non-executive Director on June 9, 2019. Mr. Xu is currently a vice president of finance of Alibaba Group. Mr. Xu is also a director of DSM Grup Danişmanlik Iletişim ve Satiş Ticaret A.Ş., C2 Capital Partners GP Limited and Shanghai Yike New Retail Network Technology Co., Ltd.* (上海逸刻新零售網絡科技有限公司), respectively. He has been a non-executive director of Lianhua Supermarket Holdings Co., Ltd. (Stock Code: 980) since August 28, 2018, Red Star Macalline Group Corporation Ltd. (Stock Code: 1528) since October 16, 2019 and Alibaba Pictures Group Limited (Stock Code: 1060) since January 17, 2020, respectively, all of which are listed on the Main Board of the Stock Exchange. He has also been a director of two companies listed on the SZSE, namely, Suning.com Co., LTD. (蘇寧易購集團股份有限公司) (formerly known as Suning Commerce Group Co., Ltd.* (蘇寧雲商集團股份有限公司)) (Stock Code: 2024) since May 8, 2019 and Meinian Onehealth (Stock Code: 2044) since December 25, 2019, respectively. Prior to joining Alibaba Holding, Mr. Xu worked at PricewaterhouseCoopers and became a partner in July 2007. Mr. Xu obtained a Bachelor's of Science Degree in Physics in July 1996 from Fudan University in the PRC and he is a member of the Chinese Institute of Certified Public Accountants.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LUO Tong, aged 53, was appointed as an independent non-executive Director on May 9, 2014. Mr. Luo is currently the chief strategy officer of Yiguo Information Technology Co., Ltd. Mr. Luo has over 20 years of experience of retailing operation and management. Before joining the Board, he worked as the regional general manager for Walmart's Zhejiang Province Operations, the vice president of operations and development for China Nepstar Chain Drugstore Ltd., the vice president of operations for Tesiro Jewellery Company and the general manager of retail development of Guangzhou Pharmaceuticals Corporation. Mr. Luo has obtained a diploma in business administration from Guangzhou Finance and Trade Management Institute and a diploma in English from Guangdong Social Science College.

Mr. WONG King On, Samuel, aged 67, was appointed as an independent non-executive Director on May 9, 2014. Mr. Wong is currently an independent non-executive director and chairman of the audit committee of Analogue Holdings Limited (Stock Code: 1977), a company listed on the Main Board of the Stock Exchange in July 2019. During the period from October 2010 to November 2013, Mr. Wong was an independent non-executive director and chairman of the audit committee of Yashili International Holdings Limited (Stock Code: 1230) which was listed on the Main Board of the Stock Exchange. Mr. Wong has over 30 years of experience in accounting and finance. Mr. Wong joined Ernst & Young in October 1979 and was elected to its partnership in January 1993. Mr. Wong was the managing partner, China Central of Ernst & Young and a member of the management committee of the China firm of Ernst & Young from 2005 until his retirement in 2010. Mr. Wong was a professor of practice (accounting) of the school of accounting and finance of the Hong Kong Polytechnic University from September 2013 to August 2016, and also an adjunct professor of the school of accounting & finance of the Hong Kong Polytechnic University from 2002 to 2010. Mr. Wong was the president of Association of Chartered Certified Accountants (ACCA) Hong Kong for 1998–1999 and a member of the global council of ACCA from 1999 to 2005. Mr. Wong was also the first non-European global president of ACCA for 2003–2004. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants, a member of the ACCA and a Certified Practising Accountant Australia. Mr. Wong obtained a master of business administration degree from the University of Bradford, United Kingdom in December 1978. Mr. Wong was awarded the Binder Hamlyn Prize for the best student in financial management in 1978.

Ms. HUANG Yi Fei (Vanessa), aged 47, was appointed as an independent non-executive Director on June 9, 2019. Ms. Huang is currently a General Partner at BVCF Management. Ms. Huang has over 20 years of investment banking experience in the United States and Hong Kong. Prior to joining BVCF, she was Head of Emerging Asia Healthcare Investment Banking at J.P. Morgan. During her time in investment banking, Ms. Huang worked with companies and investors across Asia Pacific as well as global multinational companies and institutional investors. Her coverage included all subsectors of healthcare including pharmaceutical, biotech, medtech and services. She advised on multiple cross-border mergers and acquisitions and different stages of capital raising. Ms. Huang is a member of the Biotech Advisory Panel of the Stock Exchange and a member of the Admission Panel of the Incu-Bio Incubation Programme of the Hong Kong Science and Technology Parks Corporation. She is also co-Chairman of the Healthcare Committee of the Hong Kong Venture Capital and Private Equity Association. Ms. Huang holds a Master of Business Administration from The Wharton School, University of Pennsylvania.

COMPANY SECRETARY

Ms. LEW Aishan, Nicole, joined the Group in August 2014 and is the General Counsel of the Group. She was appointed as the company secretary of the Company on June 1, 2016. Prior to joining the Group, Ms. Lew worked at Freshfields Bruckhaus Deringer from 2006 to 2014. Ms. Lew obtained a Bachelor of Laws honors degree from University College London and is qualified to practice law in England and Wales. She was admitted as a solicitor of the High Court of Hong Kong in 2008 and is a current member of the Law Society of Hong Kong.

Save as disclosed in this report, each of the Directors did not (i) have any relationship with any Directors, senior management, substantial Shareholders or controlling Shareholders; (ii) hold any directorship in any other Hong Kong or overseas listed public companies in the last three years; and (iii) hold any other positions with the Company or other members of the Group. For details of the interests and short positions of the Directors in the share capital and underlying shares of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), please refer to the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares". Further, save as disclosed in this report, there is no other matter with respect to the Directors that needs to be brought to the attention of the Shareholders and there is no other information of the Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

CORPORATE GOVERNANCE REPORT

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

In the opinion of the Board, throughout the year ended March 31, 2020, the Company has complied with the code provisions ("Code Provisions") set out in the Corporate Governance Code (the "CG Code") under Appendix 14 to the Listing Rules, except in respect of the following matters:

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

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

Code provision C.1.2 of the CG Code 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.

THE BOARD

Composition

As at March 31, 2020 and up to the date of this report, the Board comprised eight Directors, including (i) two executive Directors, namely Mr. Zhu Shunyan (appointed as executive Director, Chairman and Chief Executive Officer on March 16, 2020) and Mr. Wang Qiang; (ii) three non-executive Directors, namely Mr. Wu Yongming (stepped down as Chairman on March 16, 2020), Mr. Wang Lei, and Mr. Xu Hong (appointed on June 9, 2019); and (iii) three independent non-executive Directors, namely Mr. Luo Tong, Mr. Wong King On, Samuel and Ms. Huang Yi Fei (Vanessa) (appointed on June 9, 2019). The name and biographical details of each Director are disclosed on pages 70 to 73 of this annual report. Mr. Shen Difan resigned as an executive Director and Chief Executive Officer on March 16, 2020. Ms. Zhang Yu resigned as a non-executive Director on June 9, 2019 and Mr. Yan Xuan resigned as an independent non-executive Director on April 8, 2019. The non-executive Directors and the independent non-executive Directors are appointed for a term of one year and their appointment shall be renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of their appointment unless terminated by the Company in accordance with the term of their appointment letters and the provisions of the bye-laws of the Company, respectively.

During the year ended March 31, 2020 and up to the date of this report, all Directors have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for the efficient and effective delivery of the Board's functions. The independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

Each independent non-executive Director, pursuant to the guidelines set out in rule 3.13 of the Listing Rules, has confirmed he/she had been independent of the Company throughout the year ended March 31, 2020 and up to the date of this report, and the Company also considers that they have been independent. Each independent non-executive Director is subject to the requirement that one-third of all the Directors shall retire from office by rotation at each annual general meeting pursuant to the bye-laws of the Company. Save as disclosed, there is no relationship (including financial, business, family or other material or relevant relationship) between each Director (including independent non-executive Director) and the other members of the Board or the senior management and between the Chairman and the Chief Executive Officer.

Non-compliance with Rule 3.10(1), Rule 3.10A, Rule 3.21 and Rule 3.25 of the Listing Rules

Pursuant to Rule 3.10(1) and Rule 3.10A of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors and the independent non-executive directors of a listed issuer must represent at least one-third of the board of directors. Rule 3.21 and Rule 3.25 of the Listing Rules also require that the audit committee must comprise a minimum of three members, and the remuneration committee must be chaired by an independent non-executive director and comprising a majority of independent non-executive directors. As a result of the resignation of Mr. Yan Xuan on April 8, 2019, the Board comprised only two executive Directors, three non-executive Directors and two independent non-executive Directors between April 8, 2019 and June 9, 2019 (the "Relevant Period"). The number of independent non-executive Directors was less than three and represented less than one-third of the Board as required under Rule 3.10(1) and Rule 3.10A of the Listing Rules, and the number of members of the Audit Committee and the Remuneration Committee also fell short of the requirements under Rule 3.21 and Rule 3.25 of the Listing Rules, during the Relevant Period. The Company also did not fulfil the requirement of establishing a Remuneration Committee chaired by an independent non-executive Director and comprising a majority of independent non-executive directors under Rule 3.25 of the Listing Rules, during the Relevant Period.

Pursuant to Rule 3.11 and Rule 3.27 of the Listing Rules, the Company had taken the necessary measures to re-comply with Rule 3.10(1), Rule 3.10A, Rule 3.21 and Rule 3.25 of the Listing Rules within three months, and the composition of each of the Board, the Audit committee and the Remuneration committee had become fully compliant with Rule 3.10(1), Rule 3.10A, Rule 3.21 and Rule 3.25 of the Listing Rules from June 9, 2019 onwards and as at March 31, 2020.

Function

The key responsibilities of the Board include, among other things, formulating the Group's overall strategies, setting any major acquisition and disposal, major capital investment and dividend policies, regulating and reviewing internal controls, formulating the Company's corporate governance policy, supervising management's performance and reviewing the adequacy of the Group's resources.

The independent non-executive Directors play a significant role on the Board by virtue of their independent judgment and their views carry significant weight in the Board's decisions. They bring an impartial view on issues of the Company's strategies, performance and controls.

The Company views that well-developed and timely reporting systems and internal controls are essential, and the Board plays a key role in the implementation and monitoring of internal financial controls.

Chairman and Chief Executive Officer

Prior to March 16, 2020, Mr. Wu Yongming was the Chairman of the Board and Mr. Shen Difan was the Chief Executive Officer of the Company. However, Mr. Zhu Shunyan has been appointed as the Chairman of the Board and the Chief Executive Officer of the Company, with effect from March 16, 2020, which does not comply with Code Provision A.2.1 of the CG Code requiring the roles of chairman and chief executive officer to be separate and not to be performed by the same individual.

After joining the Group, Mr. Zhu is primarily responsible for overseeing the Group's general management and business development and for formulating business strategies and policies for our business management and operations. The Directors consider that it is suitable for Mr. Zhu to hold both the positions of the Chairman of the Board and the Chief Executive Officer as they believe that such arrangement will ensure consistent leadership within the Group and enable more effective and efficient overall strategic planning of the Group. The Board is also of the view that the balance of power and authority under the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. The Board will regularly review and consider splitting the roles of the Chairman of the Board and the Chief Executive Officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

CORPORATE GOVERNANCE REPORT

The Board held 8 Board meetings during the year ended March 31, 2020. Agenda and accompanying board papers were sent to all Directors in a timely manner. Directors who could not attend in person could participate through electronic means of communications. Individual attendance of each Director at the Board meetings, Board Committee meetings and general meetings during the year ended March 31, 2020 are set out in the table below:

	Number of meetings attended/Number of meetings eligible to attend					
Directors	**Annual General Meeting**	**Special General Meeting**	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**
Executive Directors						
Mr. Zhu Shunyan *(Chairman)* (appointed on March 16, 2020)	N/A	N/A	1/1	N/A	N/A	N/A
Mr. Shen Difan (resigned on March 16, 2020)	1/1	1/1	7/7	N/A	N/A	N/A
Mr. Wang Qiang	1/1	1/1	8/8	N/A	N/A	N/A
Non-executive Directors						
Mr. Wu Yongming	1/1	1/1	8/8	N/A	1/1	2/2
Mr. Wang Lei	1/1	1/1	8/8	N/A	N/A	N/A
Mr. Xu Hong (appointed on June 9, 2019)	1/1	1/1	7/7	N/A	N/A	N/A
Ms. Zhang Yu (resigned on June 9, 2019)	N/A	N/A	1/1	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. Luo Tong	1/1	1/1	8/8	3/3	1/1	N/A
Mr. Wong King On, Samuel	1/1	1/1	8/8	3/3	1/1	2/2
Ms. Huang Yi Fei (Vanessa) (appointed on June 9, 2019)	1/1	1/1	7/7	2/2	N/A	1/1
Mr. Yan Xuan (resigned on April 8, 2019)	N/A	N/A	N/A	N/A	N/A	N/A

Directors' Training

Each newly-appointed Director is offered training by the Company upon his or her appointment, so as to ensure that they have appropriate understanding of the Company's business and they are aware of their duties as directors under the applicable laws and regulations.

Pursuant to Code Provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the financial year ended March 31, 2020, all of the following Directors participated in continuous professional development by attending seminars or by self-studying of materials on topics related to corporate governance, regulations and business:

Executive Directors

Mr. Zhu Shunyan (appointed on March 16, 2020)	Self-study
Mr. Shen Difan (resigned on March 16, 2020)	Attending seminars and self-study
Mr. Wang Qiang	Attending seminars and self-study

Non-executive Directors

Mr. Wu Yongming	Attending seminars and self-study
Mr. Wang Lei	Attending seminars and self-study
Ms. Zhang Yu (resigned on June 9, 2019)	Self-study
Mr. Xu Hong (appointed on June 9, 2019)	Attending seminars and self-study

Independent Non-executive Directors

Mr. Yan Xuan (resigned on April 8, 2019)	Self-study
Mr. Luo Tong	Attending seminars and self-study
Mr. Wong King On, Samuel	Attending seminars and self-study
Ms. Huang Yi Fei (Vanessa) (appointed on June 9, 2019)	Attending seminars and self-study

Board Committees

Throughout the year ended March 31, 2020, save as disclosed in the section headed "Non-compliance with Rule 3.10(1), Rule 3.10A, Rule 3.21 and Rule 3.25 of the Listing Rules", the Company maintained the Audit Committee, the Nomination Committee and the Remuneration Committee in compliance with the Listing Rules and the relevant Code Provisions of the CG Code.

Remuneration Committee

During the year, the Remuneration Committee comprised Mr. Yan Xuan (resigned on April 8, 2019), Ms. Huang Yi Fei (Vanessa) (Chairman) (appointed on June 9, 2019), Mr. Wu Yongming and Mr. Wong King On, Samuel, with specific terms of reference which clearly deals with its authority and duties.

The main duties of the Remuneration Committee include:

(a) to make recommendations to the Board on the Company's policy for and structure of remuneration for all Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policy;

(b) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, and make recommendations to the Board on the remuneration of non-executive Directors;

(c) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and

(d) to review and approve any proposed grant of options and restricted share units on behalf of the Board in accordance with any share award scheme adopted by the Company and in force from time to time under certain authorization.

The Remuneration Committee held one meeting for the year ended March 31, 2020. The Remuneration Committee discussed and made recommendations on the remuneration to be paid to the Directors for the year ended March 31, 2020, and the grant of share options and restricted share units under the share award scheme of the Company adopted by the Company on November 24, 2014.

CORPORATE GOVERNANCE REPORT

Audit Committee

During the year, the Audit Committee comprised Mr. Wong King On, Samuel (Chairman), Mr. Yan Xuan (resigned on April 8, 2019), Mr. Luo Tong and Ms. Huang Yi Fei (Vanessa) (appointed on June 9, 2019), with specific terms of reference which clearly deals with its authority and duties.

The main duties of the Audit Committee include:

(a) to consider the appointment of the external auditor and any questions in relation to its resignation or dismissal;

(b) to discuss with the external auditor the nature and scope of the audit;

(c) to review the half-year and annual financial statements before submission to the Board;

(d) to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss;

(e) to review the external auditor's management letter and management's response;

(f) to review the Company's financial reporting system, risk management systems and internal control procedures;

(g) to review the internal audit function, and ensure coordination with external auditor, and ensure the internal audit function has adequate resources and appropriate standing within the Company; and

(h) to consider the major findings of internal investigations and management's response.

The Audit Committee held three meetings for the financial year ended March 31, 2020. The Audit Committee reviewed the financial statements of the Company for the year ended March 31, 2019 and for the six months period ended September 30, 2019, re-appointment of Ernst & Young as auditor of the Company, internal controls and risk management system and Ernst & Young's audit plan for the year ended March 31, 2020, and made relevant recommendations to the Board for its approval.

During the year under review, a specialized internal audit function carried out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems.

Nomination Committee

The Nomination Committee comprised Mr. Zhu Shunyan (Chairman) (appointed on March 16, 2020), Mr. Wu Yongming (resigned as Chairman of the Nomination Committee on March 16, 2020) Mr. Luo Tong and Mr. Wong King On, Samuel, with specific terms of reference which clearly deals with its authority and duties.

The main duties of the Nomination Committee include:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become members of the Board and to select or to make recommendations to the Board on the selection of individuals nominated for directorships;

(c) to assess the independence of the independent non-executive Directors; and

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive officer of the Company.

The Nomination Committee held two meetings for the year ended March 31, 2020. The Nomination Committee, identified and nominated qualified individual(s) for appointment as additional Director(s) or to fill Board vacancies as and when they arise, assessed the independence of the independent non-executive Directors, reviewed the retirement schedule, made recommendations on the retirement and re-election of Directors and reviewed the composition, size and diversity of the Board.

NOMINATION POLICY

The Board has adopted a nomination policy which sets out the criteria and process in the nomination and appointment of Directors. Below are the nomination procedures and the process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship.

Selection Criteria

The Nomination Committee shall consider the following criteria in evaluating and selecting candidates for directorships:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- any measurable objectives adopted for achieving diversity on the Board;
- (in case of independent non-executive Directors) requirement for the Board to have independent non-executive Directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- any other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of Directors and succession planning.

Directors Nomination Procedures

The Board has the relevant procedures for Directors' nomination which are pursuant to the Listing Rules and the Company's bye-laws as detailed below.

(a) Appointment of New Director

The Nomination Committee or the company secretary of the Company shall call for a meeting of the Nomination Committee upon receipt of any nominations of candidates. The Nomination Committee should evaluate such candidate based on the selection criteria mentioned above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship. For any person that is nominated by a Shareholder for election as a Director at the general meeting, the Nomination Committee and/or the Board should evaluate such candidate based on the same selection criteria as mentioned above to determine whether such candidate is qualified for directorship, and where appropriate, the Nomination Committee and/or the Board should make recommendation to the Shareholders in respect of the proposed election of Director at the general meeting. The Board should have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

(b) Re-election of Director at General Meeting

Retiring Directors are eligible for nomination by the Board to stand for re-election at the general meeting according to the bye-laws of the Company. The Nomination Committee and/or the Board should review the overall contribution and service of the retiring Director to the Company, his/her level of participation and performance on the Board and determine whether the retiring Director continues to meet the above selection criteria. The Nomination Committee and/or the Board should then make recommendation to the Shareholders in respect of the proposed re-election of Director at the general meeting.

Board Diversity Policy

With effect from June 19, 2014, the Board adopted a board diversity policy (the "Policy") setting out the approach to achieve diversity on the Board. The Board considered that the diversity of Board members can be achieved through the consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board. The Nomination Committee reviews the Policy on a regular basis and discusses any revisions that might be required, and recommends to the Board for consideration and approval.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix 10 to the Listing Rules (the "Model Code") to regulate the Directors' dealings in the Group's securities. In response to specific enquiries by the Company, all Directors have confirmed that they have complied with the Model Code in their securities transactions throughout the year ended March 31, 2020.

COMPANY SECRETARY

The company secretary of the Company, Ms. Lew Aishan Nicole confirms that she has complied with all the required qualifications, experience and training requirements of the Listing Rules for the year under review.

AUDITOR'S REMUNERATION

The remuneration paid to Ernst & Young for audit and non-audit services for the year ended March 31, 2020 amounted to approximately RMB2,220,000 and RMB1,119,000, respectively. The non-audit services provided by Ernst & Young to the Group were in relation to the review service on the interim results, limited assurance services on continuing connected transactions, other professional service related to the environmental, social and governance assessment, tax review service and transfer pricing review service.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board and the management of the Group maintain a sound and effective system of internal controls of the Group so as to ensure the effectiveness and efficiency of operations of the Group in achieving its established corporate objectives, safeguarding assets of the Group, rendering reliable financial reporting and complying with the applicable laws and regulations.

The Board is also responsible for making appropriate assertions on the adequacy of internal controls over financial reporting and the effectiveness of disclosure controls and procedures. Through the Audit Committee, the Board reviews the effectiveness of these systems.

It is also the Board's responsibility to review the effectiveness of the Group's risk management system and ensure that risk management controls are sound and effective to safeguard the investment of the Shareholders and the Group's assets at all times. In connection with this, the Board formed a risk management committee on November 23, 2016 to discharge its role in monitoring and in exercising oversight over the risk management of the Company.

The Audit Committee and the Board performed its annual review of the Group's risk management and internal controls and concluded that for the year ended March 31, 2020, (a) the Group's risk management and internal control systems were effective; (b) the Group had adopted the necessary control mechanisms to monitor and correct non-compliance; and (c) the Group had complied satisfactorily with the requirements of the CG Code in respect of risk management and internal control systems.

SHAREHOLDER COMMUNICATION POLICY

Purpose

1. This policy aims at ensuring that the Shareholders, both individual and institutional, and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company. The Board will review the effectiveness of this policy on a regular basis.

Communication Strategies

Corporate Website

2. The Company communicates to its Shareholders through announcements and interim and annual reports published on its website at http://www.irasia.com/listco/hk/alihealth/. The information on the website is updated on a regular basis.

3. Information released by the Company to the Stock Exchange is also posted on the Stock Exchange's website immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents etc.

Shareholders' meetings

4. The Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings.

5. The process of the Company's general meetings will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served.

6. Board members, in particular, either the chairman of the Board or chairman of Board committees or their delegates, appropriate management executives and external auditor will attend annual general meetings to answer Shareholders' questions.

Shareholder Privacy

The Company recognizes the importance of Shareholders' privacy and will not disclose Shareholders' information without their consent, unless required by law to do so.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene a special general meeting

Shareholders, holding at the date of the requisition not less than 10% of the paid-up capital of the Company carrying the right to vote at general meetings of the Company, shall at all times have the right by written requisition to the Board or the Company Secretary, to require a special general meeting (the "SGM") to be called by the Board for the transaction of any business specified in such requisition.

The requisitionists must state the purpose of the meeting and their contact details in the requisition, and sign and deposit the requisition at the principal place of business of the Company for the attention of the Company Secretary.

The SGM shall be held within two months from the deposit of the requisition. If the Board fails to proceed to convene the SGM within 21 days of such deposit, the requisitionists, or any of them representing more than 50% of the total voting rights of all of them, may convene the SGM by themselves in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (as amended) (the "Companies Act"), but any SGM so convened shall not be held after the expiration of three months from the deposit of the requisition.

Procedures for putting forward proposals at general meetings

Shareholders holding not less than 5% of the total voting rights of all Shareholders having a right to vote at the general meeting or not less than 100 Shareholders can submit a written request stating a resolution to be moved at the annual general meeting or a statement of not more than 1,000 words with respect to a matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

The requisitionists must sign and deposit the written request or statement at the registered office of the Company and the principal place of business of the Company for the attention of the Company Secretary, not less than six weeks before the annual general meeting in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

If the written request is in order, the Company Secretary will ask the Board to include the resolution in the agenda for the annual general meeting, as the case may be, to circulate the statement for the general meeting, provided that the requisitionists have deposited a sum of money reasonably determined by the Board sufficient to meet the expenses in serving the notice of the resolution and/or circulating the statement submitted by the requisitionists in accordance with the statutory requirements to all the registered Shareholders.

Procedures for sending enquiries to the Board

Shareholders may send their enquiries with sufficient contact details to the Board at the principal place of the business of the Company for the attention of the Company Secretary. When the written enquiries are in order, the Company will direct them to the Board.

CONSTITUTIONAL DOCUMENTS

There was no amendment to the bye-laws of the Company during the year under review.

DIVIDEND POLICY

The Company has adopted a dividend policy that, in recommending or declaring dividends, the Company shall maintain adequate and sufficient cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Board has the full discretion to declare and distribute dividends to the Shareholders, and any final dividend for a financial year will be subject to Shareholders' approval. In proposing any dividend payout, the Board shall also take into account, among other things, the Group's financial results, financial position, cash flow situation, business conditions and strategies, expected future operations and earnings, capital requirements and expenditure plans, interests of Shareholders, any restrictions on payment of dividends and any other factors the Board may consider relevant. Any payment of the dividend by the Company is also subject to any restrictions under the Companies Act, the Company's bye-laws and all applicable laws and regulations.

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the Company's financial statements of the Group (the "Financial Statements") which give a true and fair view and are in accordance with Hong Kong Financial Reporting Standards published by the Hong Kong Institute of Certified Public Accountants. The Directors endeavor to ensure a balanced, clear and understandable assessments of the Group's performance, position and prospects in financial reporting. Accordingly, appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable.

The statement of the Company's auditor about their reporting responsibilities on the Financial Statements is set out in the Independent Auditor's Report on pages 129 to 134 of this annual report.

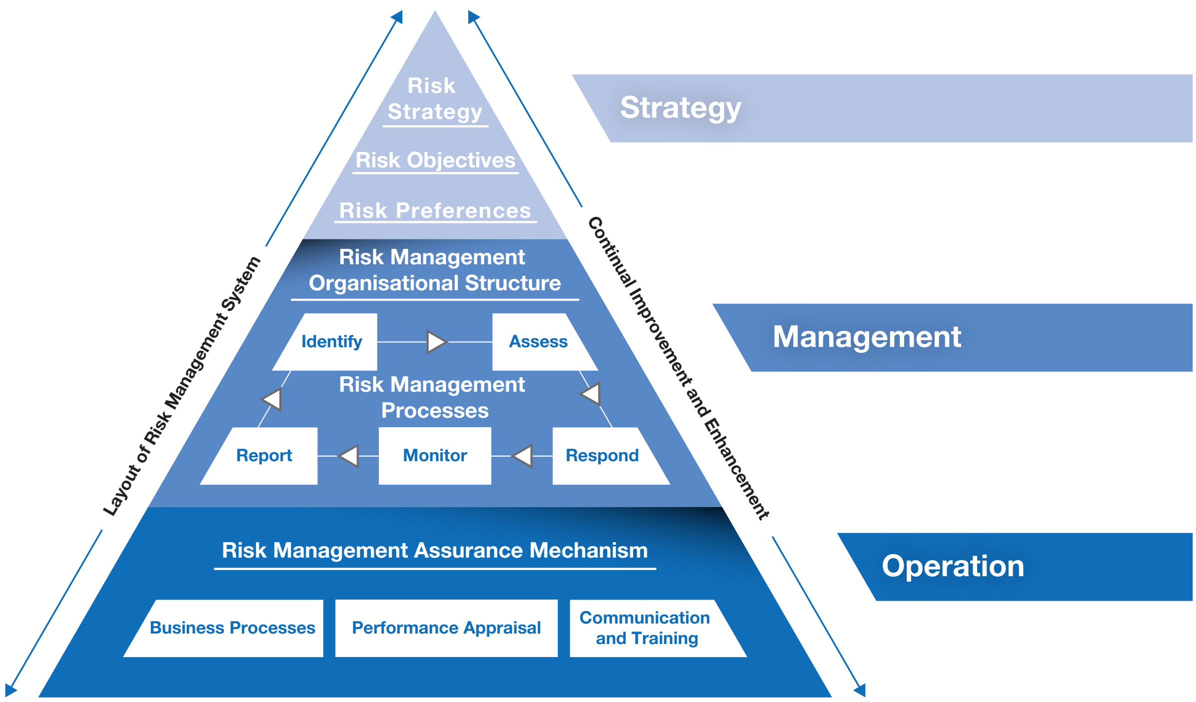
RISK MANAGEMENT AND INTERNAL CONTROL

1. RISK MANAGEMENT AND INTERNAL CONTROL

The Group considers risk management and internal control to be a core part of its operational management and business activities. The Group is committed to: (i) establishing a comprehensive risk management system which is in line with the Group's strategy and its specific business characteristics; (ii) continually optimizing its risk management organizational structure; (iii) standardizing its risk management processes; and (iv) adopting quantitative and qualitative approaches to drive better identification, evaluation and mitigation of risks, to achieve a balance between risks and rewards, and to achieve sustainable business development while appropriately managing risks.

2. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The risk management and internal control systems aim to support the realization of the Company's strategy, vision and mission as well as the sustainable development of its business. The risk management objectives of "Strategy", "Operation", "Reporting" and "Compliance" can be achieved by implementing the processes of risk identification, evaluation, remediation and monitoring. Risk management capability is one of the Company's core competitive competencies, and we believe that implementing risk management and internal control systems over each business line and every functional department will help enhance long-term shareholder value. The Group's risk management and internal control framework includes three levels: strategy, management and operation.



- **Risk Management Strategy**

The Group's risk management strategy is aimed at "ensuring steady growth and sustainable development of the Group's businesses through continual optimization of the Group's risk management framework, capability and culture".

- **Risk Management Objectives**

The Company's risk management objectives include: (1) Strategic objective — to construct our risk management and internal control systems so that they are compatible with the Company's strategic objectives and support the achievement of its strategic goals and sustainable business development; (2) Operational objective — to continuously improve the Company's risk management capabilities, thereby reducing uncertainties in the achievement of our operational goals, supporting our business expansion and innovative activities, and ensuring the efficiency and effectiveness of our operational activities; (3) Reporting objective — to ensure the validity, accuracy and completeness of our financial and operation management reporting; and (4) Compliance objective — to ensure compliance with both external regulatory requirements and internal management policies, standardize our operational management and business processes to maintain the legality and compliance of each business transaction of the Company.

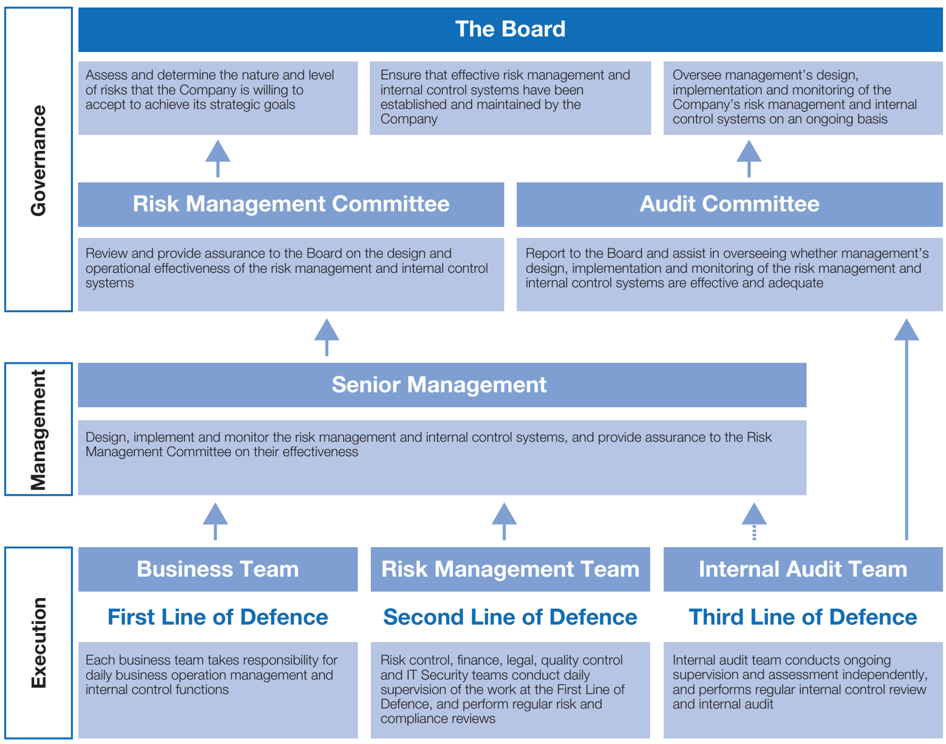
- **Risk Preferences**

Risk preferences set the tone for the Group's overall risk profile. Having adopted a prudent stance in the determination of its risk preferences, the Group integrates its development strategies with its risk preferences by taking into account its overall strategic deployment and the needs of each business segment, thereby facilitating the healthy operation and sustainable growth of the Group as well as each business line.

RISK MANAGEMENT AND INTERNAL CONTROL

- **Risk Management Organizational Structure**

  The Group's risk management organizational structure has three levels: governance, management and execution. The risk management responsibilities and reporting relationships of the different levels are illustrated below.



- **Risk Management Processes**

  - Risk identification — based on the Group's strategic and operational objectives, management identifies uncertainties and risk exposures which could affect the Company's realization of its strategic and operational objectives in nine major areas, including strategic management, operational management, quality management, customer management, financial management, legal management, human resources management, information technology and data security management, reputation management.

  - Risk assessment — management evaluates and rates the identified risks based on the two dimensions of probability and impact and ranks them as "high", "moderate" or "low" based on the rating results.

  - Risk response — risk response strategies include risk avoidance, transfer, mitigation and acceptance. Based on the risk identification and assessment results, management adopts the appropriate risk response strategy to design and implement relevant internal control activities to address the specific risk.

- Risk monitoring — risk monitoring is to oversee the implementation of risk mitigation measures as well as to continuously improve internal control activities, which includes ongoing daily business operation monitoring and regular independent internal assessment and audit.

- Risk reporting — risk reporting is to report on the effectiveness of the design, implementation and operation of the risk management and internal control systems to management, the Board, the Audit Committee and the Risk Management Committee.

- **Risk Management Assurance Mechanisms**

  - The Group's risk mitigation processes and internal control activities include processes and internal control activities at the organizational, operational, financial reporting and IT system levels. The relevant processes and internal control activities have been recorded in internal control manuals and policies, which are published on our system platform for all employees to access and study.

  - Risk management performance appraisal provides assurance for risk management implementation and the Company ensures implementation of its risk management strategies by raising all employees' risk awareness, standardizing internal control processes and adopting a policy of total accountability of all employees.

  - The Group ensures the implementation of operational procedures, policies and internal control activities through related communication and training, which may take such forms as centralized training sessions, seminars or workshops, on-job communication and instructions, online video courses, e-mail reminders and online examinations etc., covering content such as policies, internal control training, legal and regulatory compliance, integrity training and data security management.

3. MAIN RISK MANAGEMENT AND INTERNAL CONTROLS WORK CONDUCTED IN FY2020

- By the end of FY2020, the Risk Management Committee had held a meeting and reported to the Board on the effectiveness of the Company's risk management and internal control systems. The tasks completed by the committee in FY2020 included: (i) discussion and review of the Group's findings on major risk identification and assessment, the risk management strategies and major internal control measures mitigating key risks; (ii) discussion and review of the Risk Management and Internal Control Report required to be disclosed in the Company's annual report for FY2020; (iii) discussion and review of the work plan and key points of risk management and internal control work for FY2021 as well as the expected output and timetable etc.

- Management identified uncertainties and risk exposures in nine major areas (including strategic risk, operational risk, quality risk, customer service risk, financial risk, legal risk, human resources risk, information technology and data security risk, reputational risk); completed the definition, assessment and ranking of the identified risks; discussed risk mitigation proposals and measures, which will form the main basis for risk management and internal control work for FY2020.

- The business team took steps to standardize the policies and operational procedures which were published on the Company's policy management platform as reference and learning materials for all employees.

- The risk management teams, including the internal control team, finance team, legal team, quality control team and IT security team, conducted regular supervision on daily activities at the first line of defence and implemented risk monitoring and internal control review on the business transactions to ensure that the important risks were under control.

- The risk management team arranged centralized training sessions for all staff on a quarterly basis to promote risk management awareness and promote risk management culture. Topics covered by such training sessions included, among other things, guidance of business processes and internal controls, integrity and code of business conduct, business compliance with relevant laws and regulations, and data security management.

4. DISCLOSURE OF MATERIAL RISKS

During the year, the Group conducted the identification, analysis and prioritization of all the risks faced by its existing and new businesses which resulted in the identification of the following material risks:

Major Risks	Description of Risks	Risk Responses
Regulatory Risks	As the Company operates its principal businesses under a strict regulatory regime, if we breach applicable regulatory requirements, we may be subject to penalties which may adversely affect our brand reputation and business. If we do not have a timely understanding of changes in and updates on the applicable policies, rules and regulations, or do not sufficiently assess the impact of policies and regulations changes on our business operation, management would be unable to adopt mitigating measures on a timely basis, which would affect the Company's regular business activities and its business continuity.	• Establish relevant business processes and procedures and internal control measures, and added internal monitoring and checks by specialist teams in relation to matters involving regulatory issues, to ensure that the Company's business operations comply with regulatory requirements; • Stay up-to-date with applicable rules, regulations and regulatory requirements issued by the government and regulators via announcements and notices from the authorities, as well as the news media, the internet and Alibaba Group's legislation monitoring system. The Company also actively participates in forums organized by the government and regulatory bodies to ensure that it is fully aware of the latest government and regulatory requirements and updates; • The Company has established information sharing channels to keep business teams abreast of the latest regulatory requirements; we also organize regular internal seminars and trainings to study and discuss the applicable rules, regulations and regulatory requirements issued by the government and regulators, with a view to ensuring that the relevant business teams accurately understand the policies and regulations; • The legal team and business teams jointly assess the impact of policy and regulatory changes on our business, and design mitigating measures and alternative business models in response to the changes, so as to ensure business continuity as well as regulatory compliance.

RISK MANAGEMENT AND INTERNAL CONTROL

Major Risks	Description of Risks	Risk Responses
Information Technology and Data Management Risks	As an Internet company, information technology and data management form a solid foundation and an important infrastructure for the Company's business development and operation, as well as one of the competitive advantages to help the Company maintain high innovation levels and to become an industry leader. Any failure or postponement in our product R&D, disruption of transactions due to malfunctioning information systems, or leakage or loss of or unauthorized tampering of our data would have a material adverse impact on us achieving our strategic objectives, our brand reputation, business continuity and customer satisfaction.	• The Company has established standardized product research and development (R&D) procedures, R&D project management mechanisms, coordination, communication and incentive mechanisms for cross-team cooperation between R&D, business, product and marketing teams to ensure timely and effective development of products to meet business needs; • The Company has established IT system maintenance standards and business continuity management procedures, contingency plans for IT system interruptions, and the disaster recovery plans and drills to ensure smooth and uninterrupted operation of our systems and to improve the capability of the system to respond quickly to risk events; • To comprehensively safeguard the Company from the risks of data leakage, loss and tampering from the three areas of staff, processes and information technology, the Company (i) has established management procedures for data collection and transmission, storage security, encrypted protection, authorized access and usage, and destruction; (ii) has deployed information technology for data security management and encrypted protection; and (iii) organizes regular trainings to communicate data security and encryption requirements to all our employees.

Major Risks	Description of Risks	Risk Responses
Competitive Risks	In China, there is intense competition in the internet healthcare sector. The continuous changes in business and operational models, as well as significant moves or decisions by major competitors in the industry and new entrants, may bring potential threats to and have adverse impact on the Company's business and competitive advantage.	• The responsible manager for each business segment closely monitors the competitive situation of his/her business segment, and reports on the relevant information and his/her analysis and judgment at the monthly management meeting; • The Company has a specialist team which conducts in-depth analysis and research on competition in the industry regularly and reports to management, which enables management to make informed business decisions and develop appropriate operational strategies and effective solutions to address the competitive risks; • Senior management is committed to innovative and diversified management in relation to the Company's business plans and strategic positioning. In the course of steadfastly executing the Company's strategic decisions, senior management strives for the Company to develop and accumulate core competitive advantages and become an unsurpassable company in the industry.

5. OUTLOOK AND KEY ACTIONS FOR FY2021

- Continue to reinforce the Company's risk management and internal control structure and implementation efforts, and continually improve the Company's risk management capabilities and culture to ensure compliance with the Corporate Governance Code of the Stock Exchange and alignment with best industry practices.
- Continue to assist and supervise each business line and functional department to promote and optimize the design, implementation and operation of our risk management and internal control systems.
- Continue to focus on material changes and updates of key risks and make timely adjustments to the risk mitigation actions and solutions accordingly.
- Continue to establish and enhance relevant policies, business procedures and internal control guidance which are published on the policy management system platform for staff to access and study.
- Conduct ongoing independent monitoring and assessment on the design and effective implementation of the internal control activities for material risks.
- Continue to provide more risk management trainings for all staff, to enhance their awareness of risk management, promote our risk management culture, reinforce the accountability mechanism, and ensure execution of the Company's risk management strategies.

In the face of existing and new risks, the Group must maintain continual and strict supervision and control under effective risk management and internal control systems. The Company has a management team well-attuned to the importance of risk management, and which will proactively identify, prevent and manage risks and continually seek to improve the Company's risk management and internal control systems.

6. STATEMENT OF THE BOARD REGARDING INTERNAL CONTROL RESPONSIBILITY

The Group's internal controls are aimed at ensuring compliance of its operations with laws and regulations, the security of its assets and the validity and completeness of its financial reports and related information, to enhance its operational efficiency and effectiveness and facilitate the realization of its growth strategies. The Company has established internal control procedures to safeguard against the unauthorized use or disposition of its assets, to ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and to ensure compliance with applicable laws, rules and regulations. During FY2020, the Company conducted a comprehensive self-assessment of its internal controls which it reported to the Audit Committee and the Board, and no significant deficiencies were identified. The Board believes that, for the year ended March 31, 2020, the Company's existing internal control systems were sufficient and effective to assure the interests of the Company and its shareholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Alibaba Health firmly believes that the most important social responsibility of pharmaceutical and healthcare enterprises is to improve the health of people and the efficiency of the pharmaceutical industry. To this end, we have been proactively exploring the application of "Internet +" in the comprehensive health industry, building a comprehensive health platform, integrating medical resources to provide better technical support for the pharmaceutical and healthcare industry, by leveraging on our own strengths and experience in Internet, artificial intelligence (AI) and other advanced technologies. Based on the *Outline of the Healthy China 2030 Plan* and focusing on the "Healthy China Strategy" of "co-building, sharing, and health for all", we have integrated the coordinated development of enterprises and society into Alibaba Health's development strategy, to make Alibaba Health's environmental, social and governance (ESG) practices more effective.

COMMUNICATION WITH STAKEHOLDERS

Alibaba Health attaches great importance to communication with our consumers, partners, the government and other stakeholders, and has been working to improve the participation mechanism of stakeholders to meet their concerns and demands. In response to stakeholder expectations of Alibaba Health, we have taken a series of active measures so that Alibaba Health's growth and development can create value for our stakeholders.

Stakeholders	Demands & Expectations	Communication & Responses
Government	Compliance with laws & regulations Support for economic development Payment of taxes by law	Compliance management Implementation of state policies Active payment of taxes
Investors	Return of investment Business & profit growth Risk management Information disclosure	Timely disclosure of operating information Results announcement meetings Shareholder and investor meetings
Consumers	Quality and affordable products & services Healthcare knowledge education Consumer privacy protection	Pharmaceutical healthcare services improvement Consumer satisfaction surveys Consumer information protection
Staff	Staff benefits assurance Occupational health protection Sound career path Work-life balance	Provision of good remuneration package Implementation of staff training Career development track
Partners	Industry advancement and win-win outcome Procurement with openness, fairness and impartiality Faithful performance of contracts	Contract fulfillment by law Public tenders Launch of cooperative projects
Environment	Energy conservation and emissions reduction	Management of emissions Improvement of efficiency in the use of resources and energy Participation in environmental public welfare activities
Society and the Public	Integration of business operation and public welfare Support for community development	Charitable activities Volunteer services

During the reporting period, Alibaba Health's social responsibility performance was fully recognized by stakeholders.

MATERIAL ISSUES

Alibaba Health identified ESG issues and analyzed their materiality to ensure that the ESG report covers important issues to the Company and its stakeholders with reference to the requirements of the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Listing Rules. During the reporting period, our questionnaire survey helped us to understand the impact of each issue and we received a total of 140 feedbacks, which ensured more accurate and complete disclosure of information related to our operation and management.

Environment, Social and Governance Issues Selection Process

Identifying issues

— Suggestions made by management of the Company

— Analysis and suggestions made by internal and external experts

— Analysis of media information

— Benchmarking study of peers in China and overseas

— ESG Reporting Guide of HKEX

— Guidance on Standards of Social Responsibility

Standards of Selection

— Contribution to sustainable development

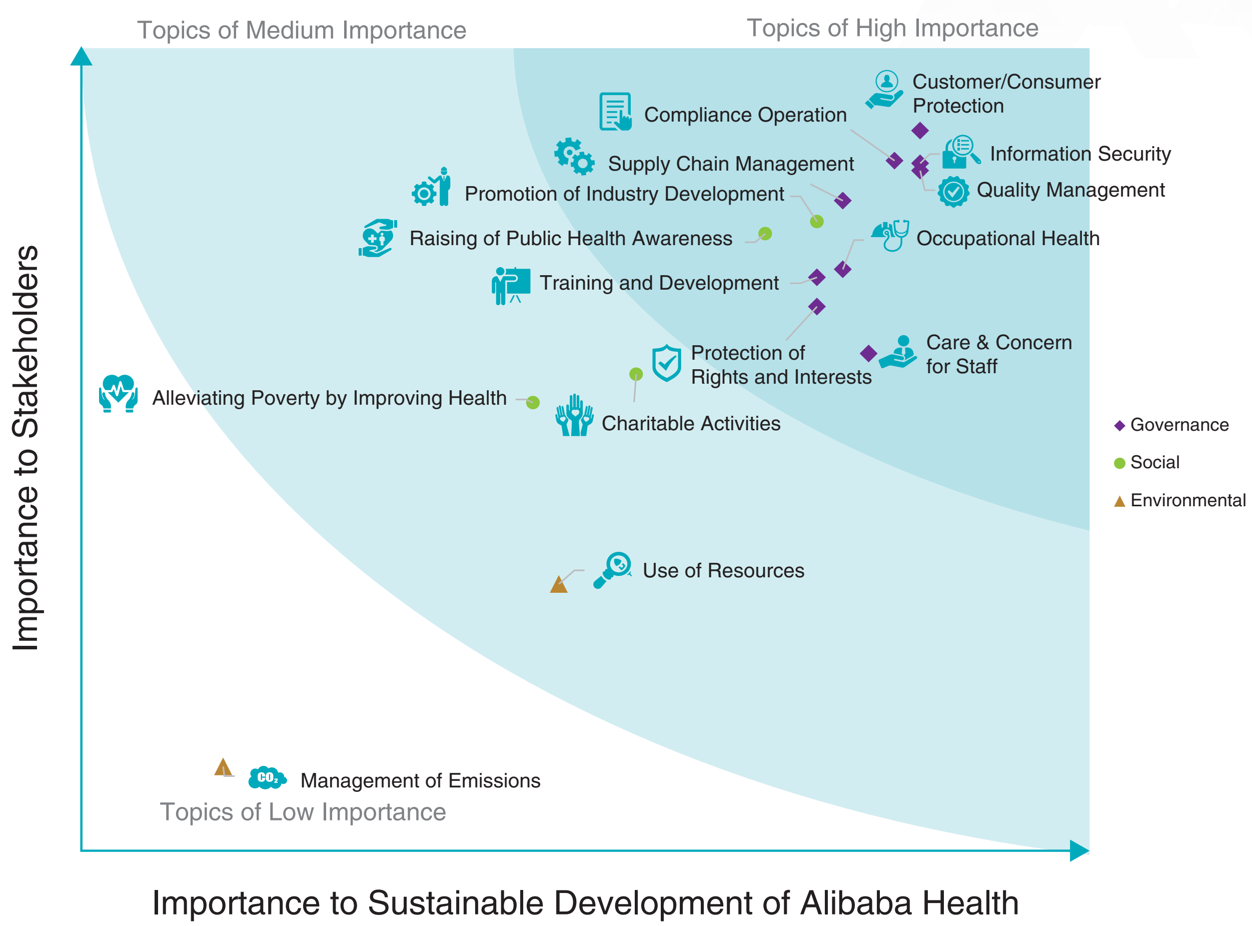
— Issues of general concern to stakeholders

— Issues emphasized by the corporate social responsibility guidance

— Compliance with the Company's needs of strategic development

Results of Determination

Matrix of Key ESG Topics of Alibaba Health in Financial Year 2020



FEATURE — ALIBABA HEALTH'S FIGHT AGAINST COVID-19

In early 2020, an epidemic caused by a novel coronavirus (COVID-19) broke out. In the face of this unprecedented pandemic, the Chinese government took resolute and forceful counter measures to stop the epidemic. Local governments were quick to organize manpower and material resources, whereas medical teams from the rest of the country rushed to Hubei province overnight, as the strengths of the whole country were pooled to fight this arduous battle. Confronted by the plague, Alibaba Health was fully aware of its social responsibility, as we immediately launched services such as online medical consultation, home delivery of medicine, and public education on COVID-19. By capitalizing on our technology and resources in the comprehensive health industry, Alibaba Health remains at the forefront of the fight against COVID-19 with people all over the country.

Alibaba Health's Efforts in Combating the COVID-19 Pandemic

Around January 20	Collaborated with online-to-offline (O2O) pharmacies in Wuhan to provide couriers in Wuhan with free masks, and undertook to ensure that Alibaba Health's urgent medicine delivery service would not be suspended due to the Spring Festival holiday and the COVID-19 pandemic
January 21	Published a "COVID-19 Prevention Guideline"
January 22	Launched the "COVID-19 Pandemic Map" service
January 24	Launched free medical consultation service for the Hubei region
January 25	Assisted the Health Communication Office of the Chinese Center for Disease Control and Prevention in producing and designing a series of promotional materials on COVID-19
January 31	Launched a "Live Q&A with Medical Practitioners" function
January 31	Launched a "Psychological Assistance Hotline" in collaboration with Alipay
February 1	Launched the "AliHealth Online Doctor" platform for Beijing
February 2	Under the guidance of the Department of Publicity of National Health Commission of the People's Republic of China, rolled out a bundle of convenient services in cooperation with Health News, Alipay, Amap and UC Browser, such as navigation for outpatient fever clinics
February 6	Launched the "Medicine Home Delivery" service
February 10	Released a free applet for smart community COVID-19 pandemic prevention and control
February 11	Launched the "City-wide Anti-Epidemic Drugs Enquiry" function
February 13	Collaborated with nearly 50 well-known pharmaceutical companies to ensure the continued supply of drugs for chronic diseases during the COVID-19 pandemic
February 13	Launched the service "Registration of Shortage of Drugs" for Hubei Province
February 14	Introduced the function of "Close Contacts Inquiry" for contact tracing of confirmed and suspected cases

February 16	Released the "Proposal on Supporting Hubei with Medication Search Service for Chronic Disease Patients"
February 18	Released the "Medical Visit Guide", which covered more than 300 hospitals in 14 cities
February 21	Assisted a number of hospitals in introducing "Online Renewal of Prescriptions and Dispensary" service, enabling patients to renew their prescriptions and access dispensary service without leaving home
February 25	Collaborated with pharmaceutical companies, logistics companies, volunteers and other partners to deliver life-saving medicine to 13 million chronic disease patients in Hubei
February 26	Launched the "Quality-assured Medicines" program, which enables patients with chronic diseases nationwide to purchase prescription drugs on Tmall's Pharmaceutical Platform
February 27	Provided online management services for patients with chronic diseases in Zhejiang Province
March 2	Started the "Guaranteed Supply of 10 Million Masks at Low Price" project, through which 3 million low-priced masks were supplied to Hubei Province exclusively on a daily basis
March 8	Worked with Alipay to launch a free online medical consultation service to overseas Chinese
March 13	Connected dozens of primary hospitals to AI-assisted computed tomography (CT) imaging COVID-19 screening technology
March 23	The "Global MediXchange for Combating COVID-19 (GMCC)" platform featured our free online health consultation service targeted at overseas Chinese
March 27–Present	GMCC platform organized several webinars, featuring doctors from China sharing their first-hand experience at combating COVID-19 in China with front-line doctors and nurses around the world
March 31	Collaborated with Alibaba Cloud and Alibaba DAMO Academy to offer COVID-19 AI diagnosis technology, supporting the efforts of hospitals around the globe to fight against COVID-19
April 21	Launched the national nucleic acid testing platform to support the resumption of production and work, which was an innovative measure under Alibaba's Spring Thunder Initiative^ (春雷計劃) designed to help society win the final battle against the COVID-19 pandemic

1. Care to the Home

Online Medical Consultation

In response to the violent outbreak of COVID-19 in January 2020, the Chinese government rapidly launched first-degree response to the major public health emergency in various provinces and cities. Medical staff, mainly in Hubei, worked day and night, resulting in a shortage of manpower and medical resources. Local residents were also exposed to cross-infection and other risks in their daily medical treatment. To relieve the burden of frontline medical staff and meet residents' daily medical needs, Alibaba Health collaborated with Alipay to launch a free online medical consultation service on the evening of January 24, 2020. In the initial stage of the development of free online medical consultation services, priority was given to residents in Hubei, especially to those who were quarantined or unable to seek medical treatment. On Alipay, users could get free professional advice on some common ailments from practicing doctors at medical institutions across the country. The free online medical consultation service is available 16 hours a day, 7 days a week. Since its launch, the average number of online medical consultations exceeded 100 a day per doctor, and the average number of online consultations exceeded 200 a day per doctor for doctors from the respiratory department. This enabled a large number of local people in Hubei to get health diagnosis and treatment suggestions, thereby easing the mounting pressure on medical institutions.

Following our free online medical consultation service, Alibaba Health launched a "psychological assistance hotline" for medical staff and patients on January 31, 2020, aimed at easing the social and psychological stress caused by COVID-19, and co-launched the "Internet assistance for mental health". After the launch, nearly 200 mental health experts from authoritative psychological research and service organization including the Chinese Psychological Society, Institute of Psychology of the Chinese Academy of Sciences, China Association of Social Workers, and the School of Psychological and Cognitive Sciences, Peking University volunteered to provide online consulting services. Through professional online voice counselling, these volunteers alleviated the psychological impact on medical staff and patients, while popularizing knowledge about mental health.

As other regions outside Hubei joined the anti-epidemic battle, Alibaba Health gradually expanded the coverage of online consultation. On February 1, 2020, in response to an appeal by Beijing's Municipal Commission of Science and Technology, Municipal Commission of Health and other departments, we launched the "AliHealth Online Medical Consultation" platform for Beijing residents, providing online services to help reduce the gathering of crowds, stop the spread of the epidemic, and relieve the pressure on medical institutions in Beijing.

On March 8, 2020, Alibaba Health collaborated with Alipay to launch an online health consultation zone for overseas Chinese in Italy, Japan and other countries to connect with doctors in China for free online health consultation through the Alipay APP, when they find it inconvenient to visit a local hospital. This online consultation service became widely used and recognized abroad, and was recommended by nearly 200 Chinese embassies and consulates in the US, Italy, Japan, Germany and many other countries.

"Alibaba Health's remote health consultation service has played a significant role in helping overseas Chinese acquire medical information, gain knowledge about epidemic prevention, and better protect themselves."

— Chinese Embassy in Italy

Case study | **China helps to provide anti-COVID-19 AI technology to Japanese hospitals, thanks to technical support from Alibaba Health**

On March 31, 2020, JBC, a Japanese medical technology agency, began providing Japanese hospitals with Chinese AI technology against COVID-19, which helps doctors rapidly screen for contagion through CT imaging. The technology, which was jointly developed by Alibaba Health, Alibaba Cloud and Alibaba DAMO Academy, is able to complete a CT diagnosis in just 20 seconds with accuracy as high as 96%. This AI technology has been made available to over 550 hospitals in China.

Photo: JBC engineers developing the Japanese version of the AI APP against COVID-19

With the increase of cases in densely populated cities such as Tokyo, the outbreak of COVID-19 in Japan intensified again. With the AI COVID-19 diagnostic technology provided by Alibaba Health, doctors in Japan can now upload CT scan images of suspected patients to a cloud-based deployment system, which enables them to obtain auxiliary diagnosis results rapidly and thus facilitates a wider screening of COVID-19 cases. As of March 31, 2020, Alibaba Health, in collaboration with Alibaba DAMO Academy and Alibaba Cloud, had provided technical and experience support to fight against COVID-19 in dozens of countries.

Live Broadcast of Anti-Epidemic Knowledge

In addition to free online consultation services, we also invited doctors who were providing the online consultations to participate in live broadcasts in the "Fight COVID-19" programme on Taobao platform. Available online 24 hours a day, the live broadcast covered topics on respiratory and infectious diseases, emergency medical treatment, etc. Participating doctors answered the questions that most netizens were concerned about during the outbreak of COVID-19 from their professional standpoint, thus disseminating anti-epidemic knowledge about COVID-19, wearing of masks, and general personal care in a relatable way. During the reporting period, nearly 8 million people watched these anti-epidemic live broadcasts.

Case study **Day and Night — this doctor attracted 100,000 viewers in live broadcast**

ZHANG Pei is a doctor working at the fever department of the People's Hospital of Lushan in Jiangxi province. During the fight against the epidemic, he worked for 10 to 12 hours on the frontline in the daytime, often skipping his meals. In the evening, he worked as a part-time anchor in his spare time, providing online consultations and live broadcast of knowledge about COVID-19. Dr. ZHANG's first live broadcast attracted nearly 100,000 viewers, and he answered more than 100 questions in just an hour. The intensity of a live broadcast was no less than that of a small operation. In addition to answering questions, he also tried to calm netizens' emotions. During the live broadcast, he told them to consider the epidemic in a scientific and rational manner, and refrain from worrying too much. He added that he gave his best to answer some inquiries raised by netizens, especially those in Wuhan, in such a way that they could visit local hospitals less often.

Online consultation has now become a key supplementary medical resource, through which many doctors like Dr. ZHANG Pei who are fighting the epidemic on the frontline are also safeguarding many netizens' psychological defences with their online answers. In the face of the epidemic, the collective strengths of people do matter, and each little bit counts.

2. Home Delivery of Quality Medicine

With the outbreak of COVID-19, the supply of medicine has become a top concern. As Alibaba Health has always paid close attention to industry dynamics and public health emergencies, it has been able to respond instantly since the beginning of the outbreak. Through cross-regional sharing and allocation of existing medical and healthcare resources and while ensuring the quality and professional safety of medicine, Alibaba Health has enhanced the convenience and possibility of purchasing medicare.

In order to ensure public access to medicine, Alibaba Health promptly organized an emergency delivery team, coordinated its allied pharmacies to prepare sufficient protective equipment, and advised pharmaceutical factories to provide preventive and control medication for infected areas, so as to provide uninterrupted "emergency delivery of medicines" to many locations during the Spring Festival.

Case study **Uninterrupted emergency delivery of medicines during the epidemic**

Even from the onset of the outbreak, Alibaba Health began collaborating with local O2O pharmacies to provide free masks to Wuhan residents. As the epidemic escalated, we made a commitment to the community that Alibaba Health would coordinate on an urgent basis our nationwide drug distribution network and supply chain capacity to ensure that the "emergency drug delivery" service would not be suspended during the Spring Festival. Consumers in Wuhan, Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu and other cities could buy masks, disinfectants and other protective products promptly through our door-to-door "emergency medicine delivery" service. Meanwhile, we also strengthened the quality control of masks and other protective products, by doubling the proportion of regular spot checks on masks to ensure that the appearance, production date and validity period of masks met the quality requirements. On the basis of "no closure and no price rise", we did our best to ensure that consumers could get their anti-epidemic supplies.

Given that it was inconvenient to travel during the outbreak, and to reduce the risk of infection, many chronic disease patients who had to renew their prescription at a hospital regularly reduced their travelling. Meanwhile, the temporary shortage of medicine for chronic diseases became more acute. Catering to patients who were finding it hard to secure medicine for their chronic diseases, Alibaba Health cooperated with pharmaceutical enterprises to stabilize the price and supply of medicine, and with logistics companies to expand medicine delivery channels. We also launched the "Medicine Home Delivery" service to provide online consultation and prescription + home delivery of medicine. These arrangements have enabled chronic disease patients to safely secure the medication they need at home during the epidemic period.

In addition, according to public information, there are nearly 13 million chronic disease patients in Hubei, whose large shortfall in drug needs may lead to secondary risks associated with the COVID-19 pandemic. As such, Alibaba Health, in collaboration with Tmall and Alipay, launched a special medicine search service — "Hubei Medicine Shortage Registration". If chronic disease patients in Hubei are running out or have run out of prescriptions, they can register with their mobile phones the details of the medicines they badly need for their condition on their Taobao, Tmall or Alipay APP. Once a patient submits the information, Alibaba Health will mobilize its national medicine supply chain on the platform and local Hubei pharmacy chain resources to find the urgently needed medicines for the patient, and assign staff to handle the request. The staff will work to report the medicine search progress to the user within 72 hours, so as to meet the urgent needs of chronic disease patients in Hubei.

Multiple Measures to Provide a Medication Lifeline to Chronic Disease Patients

Medicine Supply	Medicine Transport	Consultation & Prescription	Medicine Delivery
• Mobilized over 50 well-known pharmaceutical enterprises around the world to ensure the supply of medicine and stability of prices • Launched the "Hubei Medicine Shortage Registration" zone, mobilized platform resources, and organized merchants across the country to join the "Hubei Medicine Search Alliance" and to source medicine in short supply.	• Cooperated with logistics partners such as Cainiao, Fengniao Delivery, SF Express and Jointown to expand medicine delivery channels.	• Established an online consultation service platform to provide online chronic disease management services for Hubei patients.	• Gathered "life relay" volunteers in Hubei to cover the last kilometer in medicine delivery

Case study — **Alibaba Health published a *Proposal on Supporting Hubei with Medication Search Service for Chronic Disease Patients* to help chronic disease patients in Hubei find critical medication**

Owing to travel and logistical restrictions during the epidemic, there were some users of "Hubei Medicine Shortage Registration" in certain isolated areas, such as Xiaogan, Huanggang, Jingzhou, Tianmen, Xianning, Xiantao in Hubei, who remained unable to promptly obtain the medicine Alibaba Health had found for them.

Faced with this critical situation, Alibaba Health published on February 16, 2020 the *Proposal on Supporting Hubei with Medication Search Service for Chronic Disease Patients*. In the Proposal, Alibaba Health called for pharmaceutical manufacturers that had medicine resources for chronic diseases, pharmacy chain stores with distribution abilities, medicine distribution enterprises, relevant companies that had logistics resources in Hubei, and all other parties across society to join the "Hubei Medicine Shortage Registration" and help ensure the supply of "life-saving medicines" to Hubei patients. By endorsing the Proposal, they could help solve the problem in logistics and distribution caused by traffic control during the epidemic, and provide a lifeline to prioritize the search and distribution of emergency medication for chronic disease patients.

3. Heartwarming Services During the Epidemic

The rapid development of the epidemic in its early stage took many people by surprise. All kinds of information, true and false alike, emerged and caught us off guard. From the very beginning, Alibaba Health focused on the dissemination of real-time, accurate epidemic information and the delivery of heartwarming services and care to reduce public panic about the epidemic, ranging from epidemic updates to scientific knowledge about epidemic prevention and user-friendly inquiries.

Alibaba Health's Online Services to Facilitate Dissemination of Epidemic Information

Information about Epidemic Development	–	Real-time Epidemic Map: The webpage contains national epidemic data and provincial real-time data broadcast, real-time information, special column for dispelling rumours, overseas epidemic information, fever map, local district epidemic map and other contents.
	–	Real-time Vocal Reporting Service: In collaboration with Tmall Genie, voice inquiry function is available for the convenience of the elderly and children who may find it difficult to read. As long as a user says such commands as "epidemic update", "Wuhan epidemic information" etc. to the Tmall Genie at home, the user can obtain real-time national and local updates about the epidemic.

Scientific Knowledge about Epidemic Prevention	–	COVID-19 Prevention Guide: through this webpage, users can learn about the latest knowledge about epidemic prevention, and the selection of, and ways to purchase, epidemic prevention supplies.
	–	COVID-19 Scientific Popularization: we assisted the Health Communication Office of the Chinese CDC with the design and production of scientific popularization of COVID-19, and with its authorization, we helped to disseminate the above authoritative science popularization knowledge through multiple channels.
User-friendly Tools for Epidemic Prevention		Based on services and information provided by Alibaba Health, we collaborated with Alipay on user-friendly tools for epidemic prevention:
	–	"Close Contact Inquiry": Alipay APP can be used to check whether one has taken the same transport vehicle with any person confirmed or suspected to be infected, so that one can take corresponding measures in a timely manner.
	–	"Medical Visit Guide": We compiled for the Alipay APP "Guidelines for Going Out for Treatment" which is based on the guidelines issued by more than 300 hospitals in 14 major cities during the epidemic, to realize the goal of patients having to go out for once at most, thereby reducing their risk of contagion during the epidemic.
	–	Applet for Smart Community Epidemic Prevention and Control: We have helped frontline community staff to complete entry and exit registration, health card punching, epidemic notification and other duties, thus lending a helping hand to epidemic prevention and control efforts at the community level.

II. INDUSTRY REFORM DRIVEN BY ALIBABA HEALTH

As an explorer and pioneer in the field of digital health, Alibaba Health has always been committed to helping the pharmaceutical and healthcare industry realize digital upgrading by means of big data, artificial intelligence and other information technologies. From the advancement of infrastructure construction for the medical sector, the pilot exploration of practical normative standards for the industry, to the ongoing improvement in the development of the tracking code technology applications and product quality control, Alibaba Health has been working wholeheartedly hand in hand with its partners in different industries to boost their digital upgrading, in an effort to formulate a new blueprint for the healthcare industry.

1. Alibaba Health's New Infrastructure and Digital Upgrade

As we move gradually from an industrial economy to a digital economy, the implications of "infrastructure" change correspondingly. Compared with "traditional infrastructure", the new infrastructure represented by 5G, industrial Internet, big data and artificial intelligence has become the necessary foundation for economic transformation and growth to promote the country's high-quality development, as well as an important breakthrough for the digital transformation of traditional industries. Data interconnection and platform construction have become the infrastructural assurance to drive the digital transformation of the pharmaceutical and healthcare industry. As a pioneer in the industry, Alibaba Health has been constantly exploring the fields of Internet hospitals and intelligent medical care, and accelerating the building of digital "new infrastructure" in the healthcare sector.

Internet Hospital Platform

From offline medical treatment to online-offline interaction, Alibaba Health has been accumulating successful experiences through practical action in the area of Internet hospital construction.

As of March 31, 2020, more than 400 medical institutions had joined or linked up with the "Zhejiang Internet Hospital Platform" hosted by Alibaba Health. As China's first "service + regulation" integrated sharing platform, the Zhejiang Internet Hospital Platform, which relies on offline medical institutions and registered medical personnel, provides patients with online consultation, online appointment for chronic diseases, online contract signing service for family doctors and other services. All diagnosis services have been approved by the health administrative department to ensure that the services provided by the medical institutions and medical personnel online are lawful and compliant. Patients can search for "Zhejiang Internet Hospital Platform" on Alipay to gain access to the platform.

"The Zhejiang Internet Hospital Platform improves the utilization efficiency of high-quality medical resources, by enhancing the extension of high-quality medical resources through the Internet, as it makes high-quality medical resources more equitable and accessible. Meanwhile, it makes quality medical resources more affordable to the general public with the use of Internet technology, and makes up for the shortage of basic medical service capacity and medical resources."

— JIAO Yahui, Deputy Director of Bureau of Medical Administration of National Health Commission

---

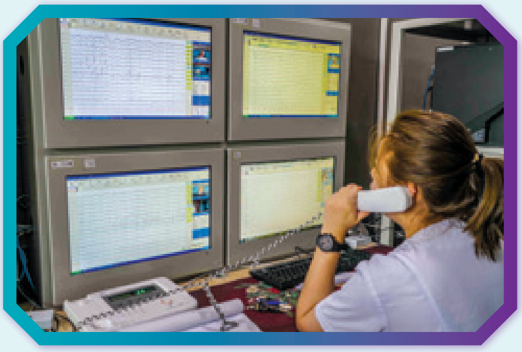
The introduction of "Internet genes" has changed the time-space relationship, supply efficiency and delivery mode of traditional medical services, opening up a new way of thinking for solutions to ease the supply and demand between doctors and patients and to improve patient experience.

Further Upgrade of Intelligent Diagnosis

The use of artificial intelligence technology to assist medical diagnosis is another major battlefield for Alibaba Health to help build the medical "new infrastructure". After the upgrade of our "medical brain" system, we have made new progress in the field of physiological signal recognition.

Case study **Epilepsy EEG analysis engine alleviates doctors' burden**

Statistics reveal that the total number of epileptic patients in China is no less than 9 million, and the monitoring results of EEG is an important basis for doctors to determine the classification of epileptic patients and to adjust the treatment plan. In general, patients need to undergo EEG every six months to a year. If the disease is not controlled well, patients may require irregular or ad hoc reexaminations, with observation times ranging from two hours to 24 hours. This shows that convenient and rapid EEG monitoring will help patients win a higher chance of survival.



On May 9, 2019, the "Epilepsy EEG Analysis Engine" product developed by Alibaba Health's AI laboratory was launched. The product can effectively assist doctors in the diagnosis of various abnormal discharges, types of seizure and comorbidities in epileptic patients, and can shorten the time of taken for EEG analysis by up to 70%. It is estimated that in practical situations such as temporal lobe epilepsy, Alibaba Health's AI engine can process two hours of EEG data in just five minutes, and after a doctor's review, produce an analysis report in ten minutes. This product fills the gap in the application of epilepsy AI technology in China, and will greatly enhance doctors' productivity and allow more patients to benefit from medical resources.

2. Driving the In-depth Development of "Internet + Healthcare" Services

In recent years, with the promulgation of policy documents such as the *Notice on Publication of the Key Tasks for Deepening the Reform of the Medical and Health System in 2019, Guiding Opinions on Improving the Policies on the Pricing of Internet + Medical Services and Medical Insurance Payment, Opinions on Deepening the Reform of the Medical Insurance System* and *Guiding Opinions on Promoting the Internet + Medical and Healthcare Services During the Fight against COVID-19,* the "Internet + healthcare" service has undergone further development.

The above policies have clearly incorporated the "Internet + healthcare services" into the scope of medical insurance payment. Medical institutions under the system of medical insurance payment that have been approved by the health administrative department to set up Internet hospitals or engage in Internet clinical activities are allowed to provide insured with "Internet +" follow-up treatments for common diseases and chronic diseases, and these treatments are reimbursable by medical insurance. Meanwhile, the policies encourage all regions to explore innovative measures such as Internet medical treatment, circulation of prescriptions, online medical insurance payment, home delivery of medicine.

Through Internet medical treatment, circulation of prescriptions, online medical insurance payment, and home delivery of medicine, the pressure on offline medical resources caused by the massive demand for purchasing medicine after follow-up consultations for chronic diseases can effectively be eased, thereby improving medical efficiency. Alibaba Health has been proactively exploring on a pilot basis the full process of Internet diagnosis, online circulation of prescriptions, online settlement of medical insurance payment and pharmaceutical distribution and has accumulated a large amount of data and valuable experience that provides a strong support for the ongoing development of "Internet + Healthcare Services".

Case study **Pioneer extension of online medical insurance coverage in Quzhou**

In October 2019, Alibaba Health and Quzhou Municipal Medical Insurance Bureau jointly established a platform for chronic disease treatment in the city, and launched a pilot scheme of innovative measures covering Internet diagnosis, online circulation of prescriptions, online settlement of medical insurance payment and home delivery of medicine. As a result, chronic disease patients could enjoy follow-up treatment, medical insurance reimbursement and delivery of medicine, all at home, without having to go out at all.

Patients can search for "Quzhou City Internet Hospital Platform" or "Internet Hospital" through Alipay, where they can complete follow-up consultation and receive a prescription then select the local pharmacy to receive the prescription. They can then experience "home delivery" service or go to the store to purchase the medicine by swiping their card, thus enjoying the chronic disease management service with "online + offline" options combined.

This initiative has successfully put into practice the "tripartite medical reform" and online operation of medical insurance, medical care and pharmaceutical product dispensation, and helped local governments to effectively accumulate medical insurance data to lay the foundation for exploration in relation to medical insurance fee controls and credit systems. Meanwhile, capitalizing on the advanced technologies of the Alibaba Group, including face recognition, anti-hacking security system, separation of medical insurance fund flow and information flow, this initiative will aid the government in ensuring the security of medical insurance funds to the greatest extent.

3. Product Tracking System

On December 1, 2019, the *Drug Administrative Law of the People's Republic of China (Revised in 2019)* and *Vaccine Administrative Law of the People's Republic of China* both came into effect. Since then, there has been strict entity responsibility for the whole process of vaccination in China, and information about preventive vaccination must be traceable throughout the entire process. Meanwhile, marketing authorization holders of pharmaceutical supply, pharmaceutical producers, pharmaceutical trading enterprises and medical organizations are required to establish and maintain a drug tracking system, through which they must provide tracking information in accordance with relevant provisions to ensure the traceability of medicine.

Since 2016, Alibaba Health has established a third-party tracking platform called “Ma Shang Fang Xin”, in which all medicine, vaccines, medical supplies etc., are given a tracking code to realize “a unique code for each object, with the code and the object both being traceable”. As a result the source of drug and other product can be verified, circulation can be tracked, and accountability can be pursued throughout the full life cycle of production, circulation and use. This has ensured product safety and protected public health. As of March 31, 2020, the number of drug manufacturers that have signed up to and renewed their subscriptions on the “Ma Shang Fang Xin” platform accounted for more than 90% of the total number of drug manufacturers in China, with 100% coverage for vaccine manufacturers.

Case study **Alibaba Health helped Guizhou achieve full tracking of the entire process and supply chain of vaccines**

In cooperation with the Guizhou Provincial Government, Alibaba Health co-developed the Guizhou Vaccine Digital Monitoring System Project. In January 2020, we implemented full electronic traceability of vaccines and automatic temperature monitoring and alarm for vaccines within the jurisdiction, thereby realizing full and complete tracking of the entire vaccination flow and chain for the first time in China. Relying on the “Ma Shang Fang Xin” platform, every vaccine that flows into Guizhou from the manufacturers to the center for disease control and prevention and then to a vaccination centre can be promptly and accurately recorded, and the vaccination tracking data can be stored, in such a way that the origin and whereabouts of even the smallest vaccination package can be traced throughout the whole process of circulation and use. By scanning the 20-digit “Ma Shang Fang Xin” tracking code that starts with “8” on the vaccine package with a mobile phone, the inoculated person can find out about the manufacturer, expiry date, batch number, format and packaging format, to fully understand the basic information about the vaccine received.

The Guizhou Vaccine Digital Monitoring System has covered more than 1,500 vaccination points among the Guizhou Provincial Center for Disease Control and Prevention, nine city level and 88 county (urban area) level centers for disease control and prevention, providing the most reliable assurance for vaccine safety.

In addition to the tracking of medicine such as vaccines, Alibaba Health has also extended the coverage of non-medicine tracking to include imported food, healthcare products, cosmetics, agricultural products and other products. By utilizing "one object, one code" tracking technology to track products from production, transportation, to customs clearance, customs declaration, and third-party inspection, consumers of these non-medicine products can inquire about production and circulation details quickly and easily to protect their tracking consumer rights.

During the reporting period, Alibaba Health was one of the first pilot enterprises to launch the "one object, one code" tracking of medical devices; while on the Taobao and Tmall platforms, it continued to promote authoriticity tracking of products and enforced traceability and authenticity control of products of top-selling merchants including infant milk powder, and also provided traceability and authenticity services for alcoholic products.

4. Strict Quality Control

Alibaba Health regards product quality as a basic requirement for its business operations, and strictly abides by laws and regulations such as the *Food Safety Law of the People's Republic of China,* the *Drug Administration Law of the People's Republic of China,* the *Measures for the Administration of Drug Trading Licenses of the People's Republic of China* and the *Interim Provisions for Examination and Approval of Internet Drug Trading Services of the People's Republic of China.* Based on the *Good Supply Practice for Pharmaceutical Products* (GSP), we have implemented quality control and formulated our own quality management standards. We also have a dedicated quality control team responsible for establishing overall business management and control mechanisms, and to improve the overall quality of our products through various quality inspection measures, so as to lay a solid foundation for assured healthcare consumption of users.

During the reporting period, Alibaba Health implemented product quality control upgrades, by promoting the formulation of more than 40 product standards (covering Chinese wolfberry, flower tea etc.), with more than 500 products having been tested and proven to have met the required standards. In particular, with regards to vaccine services provided by overseas institutions, Alibaba Health raised the institutions' entry standards (including criteria for the assessments on qualification of doctors, their length of practice, and size of the institution). These institutions are required to showcase at their reception area the vaccine verification process, display the batch number of the pharmaceutical products, and allow the vaccine packaging to be taken away as evidence, and to establish user files for follow-up action. In addition, we have dedicated staff responsible for paying on-site visits to institutions, and customer service officers calling consumers monthly to verify whether the institutions have implemented required standards, and we deal with non-compliant institutions accordingly.

During the reporting period, there were six pharmaceutical product recalls on the Alibaba Health Platform, all of which were initiated by the pharmaceutical manufacturers and completed with the aid of the Alibaba Health Platform.

Alibaba Health attaches great importance to the quality of its platform services, strictly protecting consumer rights and interests, and preventing the occurrence of any damage to consumers' health. We complete a qualification verification process for all doctors on the platform, and link this up with relevant government information to ensure that the platform doctors meet the qualification requirements. To ensure the quality of consumer medical institutions and services, we have developed strict rules for merchant business development on the platform, as well as management standards and audit system procedures to provide consumers with better and safer consumer medical services and to protect the rights and interests of consumers. Before the merchants operate on the platform, we will verify their qualification documents. We will also pay site visits to merchants from time to time, and appoint dedicated personnel to visit offline medical institutions to inspect the management documents, services, management processes as well as other aspects and actual management conditions to ensure that the information on qualifications of the merchants is true and accurate, thus providing consumers with safe and secured service experience.

III. HEALTHCARE DELIVERY TO CONSUMERS

Having in mind a 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", Alibaba Health continues to empower the medical and health industry by means of the Internet and information technology to fully safeguard consumers' health with convenient and safe healthcare services and solutions, constantly implementing its mission journey of "making good health achievable at the fingertips".

1. Provision of Quality Health Products

Alibaba Health brings together highly competitive brands and large-scale brands and distributors in the medical and healthcare industry to fully meet consumer needs by providing a full range of quality products at reasonable prices. Alibaba Health's direct business offers consumers an effective solution for online purchase of OTC (over-the-counter) and imported health products, while the e-commerce platform allows consumers to access more health food, medical equipment, adult and family planning products, contact lenses and medical health services, forming a complete medical and healthcare ecosystem.

The online platforms such as Alibaba Health Pharmacy, Tmall Pharmacy, and Alibaba Health Flagship Store have basically covered the most common OTC drugs to meet the daily medicine needs of consumers. For those scarce medicines for rare diseases, consumers can access relevant information and purchase channels through Alibaba Health's "Global Drug Search Alliance" page, so that consumers can make more informed purchase choices based on transparent product information. At the same time, Alibaba Health's "one click order, drug delivery to your home" model further improves the consumer experience of buying medicine anytime, anywhere.

Case study **Alibaba Health Pharmacy releases the Super Pharmacy 2.0 standard**

Alibaba Health Pharmacy released the Super Pharmacy 2.0 standard as it marked the third anniversary of its self-operated stores on September 12, 2019. Based on the service scenario catering to "the health needs of a family member", six major standards have been introduced: to have products covering all categories, coverage of all demographic groups, services for all scenarios, strict quality control, medication management and health companionship. These Standards are aimed at upgrading Alibaba Health Pharmacy from a pharmaceutical retail platform to a family-oriented health service platform.

We are committed to promoting the healthy and sustainable development of the entire ecological chain in the consumer healthcare industry. By connecting safe, professional and affordable consumer healthcare service providers to users, we provide consumers with convenient, reliable and transparent localized professional medical services. By deepening our cooperation with, and empowering, downstream industry players, we have been innovating new industry service models and improving industry service levels.

– In the field of vaccination, we have maintained good relationships with Merck Sharp & Dohme, GlaxoSmithKline and Sanofi Pasteur to promote awareness and to increase the vaccination rate of Chinese consumers. We also cooperated with various local health departments to develop an online vaccine booking service for consumers.

– In the field of health screening, we continued to expand our coverage of health screening suppliers and users during the reporting period to improve platform service efficiency. In April 2020, with China entering the second half of the battle against COVID-19, Alibaba Health collaborated with partners such as Meinian Onehealth Tmall Flagship Store, iKang Guobin Tmall Official Flagship Store, DIAN Healthcare Tmall Flagship Store, and CapitalBio eHealth Tmall Flagship Store to launch an online booking service for COVID-19 nucleic acid testing for enterprises and individuals in cities across the country. Consumers can reserve a time and location for nucleic acid testing online through Taobao or Tmall, and obtain an electronic testing report within as little as one day after taking the test at the store.

2. Upgrading our Services for Better Healthcare

Based on a variety of medical and health are products, Alibaba Health has been exploring the potential that the Internet can add to the medical industry, improving efficiency in the use of medical resources, and enhancing consumers' drug purchase and consultation experience, to bring to consumers more convenient and safer health services.

Perfecting a Scientific Customer Service System

We provide online consultation services with our own pharmacist teams on the Alibaba Health Pharmacy platform, seven days a week, 16 hours a day, helping consumers to make the right purchase decisions based on the pharmacists' professional guidance, as well as comprehensive webpage descriptions and user feedback. After making a purchase, consumers who are our members can also rely on real-time medication reminders and automatically generate a medication plan to help achieve scientific, timely and safe medication administration. Guided medication services are also provided for members of the "Prescription for Chronic Disease Welfare Program".

Alibaba Health Pharmacy requires all pharmacists who have signed on to provide qualification and practice certificates to ensure their professionalism. Alibaba Health Pharmacy also provides regular training and invites manufacturers to conduct seminars for pharmacists. According to their performance, gold medal pharmacists are selected every month in an effort to bring all-round improvement in the professionalism and service attitude of the pharmacists. As at March 31, 2020, we had more than 2,000 pharmacists holding a national certificate of qualification providing online customer service for after-sales issues with a response time of less than 20 seconds. After-sales refunds were handled in seconds, and 98% of customer inquiries were resolved within 24 hours.

In addition, upon the release of the Super Pharmacy 2.0 standard, Alibaba Health also teamed up with Tmall Genie to launch a customized version of our "DearDeer" (鹿小佳) mascot smart speaker to provide families with our "health butler" intelligent scenario service. As at March 31, 2020, Tmall Genie (including the DearDeer edition) has mastered more than 4,000 entries on drug administration guidelines and knowledge about medication contraindications and can provide professional responses in relation to more than 270 scenarios and symptoms. With intelligent AI technology, Tmall Genie is continually updating its health knowledge based on user inquiries, and is expected to help consumers solve most health queries.

Diversified Pharmaceutical Retail Services

Alibaba Health partners with offline pharmacies to provide 24/7 urgent medicine delivery service to meet consumers' medication needs around the clock. As at March 31, 2020, the 24/7 30-minute drug delivery service was available in a total of 14 cities, including Hangzhou, Beijing, Guangzhou, Shenzhen, Wuhan, Shanghai and Chengdu. At the same time, in collaboration with over 40,000 online-to-offline (O2O) partner pharmacies, we launched one-hour drug delivery service in more than 140 cities nationwide.

During the reporting period, we partnered with Signia and Vibe, two brands of Sivantos, a global leader in hearing aids, to help hearing-impaired users to "customize" their hearing aids remotely through the Tmall platform, connecting online and offline stores to allow users to experience high-end hearing aids without having to go out.

Experiencing Comprehensive Medical Consultation Online

As living standards improve, the demand for quality medical services is also increasing. Online medical services, represented by online appointment booking and registration, payment, medical report viewing and remote consultation, have become "service-focused products" with high market demand.

Alibaba Health actively explores and promotes the integration of healthcare product platforms and service transaction platforms, aiming to offer a more comprehensive medical experience by enabling patients to go through the entire consultation process, from registration, waiting and report viewing to payment settlement, remote follow-up consultation and home delivery of medicine, using their mobile phones. Leveraging on our increasingly mature online medical service platform and focusing on the vulnerabilities and difficulties faced by doctors and patients, Alibaba Health launched a follow-up consultation platform for organ transplant patients and an online open payment platform for chronic disease management during the reporting period, making good health achievable at the fingertips of all patients.

Case study

Alibaba Health's innovative organ transplant follow-up consultation platform helps tackle difficulties with post-transplant management

The high cost of post-transplant follow-up consultations, fragmentation of patient follow-up management and other factors have added to the difficulties in post-transplant management. Alibaba Health collaborate with many organ transplant medical experts in China to launch an innovative organ transplant follow-up platform in July 2019.

The launch of the innovative organ transplant follow-up consultation platform has equipped patients with a pocket remote follow-up consultation tool, enabling communication at any time. By using the Alipay APP to scan the QR code given by the physician during offline treatment, patients can communicate with the physician online at any time, regularly report their recovery status, and take photos and upload reports whenever they need to seek timely professional advice from a doctor, thereby making medical experts team accessible at one's fingertips. The platform also provides professional health information to help patients learn more about the disease and post-operative management. The platform is equipped with a call center to ensure that, through close monitoring of patients, both the capacity for, and quality of, patients' follow-up consultations can be assumed to the greatest extent, and that follow-up consultation data will be transmitted back in a timely manner, so that doctors are kept abreast of the recovery status of their patients.

By the end of the reporting period, the innovative organ transplant follow-up consultation platform had been piloted at partner hospitals in Tianjin and Zhengzhou, to create more convenience and value for transplant patients.

3. Building Consumer Health Literacy

By promoting patient education, we guide consumers to correct health concepts and more efficient health management. During the reporting period, in response to current events, we cooperated with experts in related fields to conduct popular science education on areas such as influenza, AIDS and rare diseases; worked with leading pharmaceutical companies to carry out consumer education programs; and published the *Online Physical Examination Consumer Report 2019* and other research reports to enhance consumer awareness of the medical and healthcare sector.

Case study | **Joining hands with NCAIDS/STD to promote AIDS prevention**

AIDS is a major infectious disease in the world, currently with no vaccine or cure. However, with early testing, early treatment and continuous treatment, virus carriers can enjoy longer life expectancy, better quality of life, and reduced transmission risk to others. In China, testing for AIDS is provided free of charge at the CDC's outpatient clinics for voluntary inquiries and testing. It is reported that about a quarter of HIV carriers remain unidentified as many people refuse to take the trouble to be tested or are reluctant to do so out of privacy concerns, making it possible for the contagious disease to continue to spread through high-risk behaviours.

The National Center for AIDS/STD Control and Prevention, Chinese Center for Disease Control and Prevention (NCAIDS/STD) marked World AIDS Day (December 1) by releasing, together with Alibaba Health, a live broadcast on the theme "Knowing HIV to Know about LOVE — Safeguarding Health by Preventing AIDS on World AIDS Day 2019". During the live broadcast, NCAIDS/STD professionals educated the audience on the blood confirmation process of the National AIDS Reference Laboratory (NARL), and the latest urine self-testing screening technology.

Han Mengjie, Director of NCAIDS/STD, said that watching a live broadcast anytime and anywhere has become a part of life for young people. Through cooperation with Alibaba Health, NCAIDS/STD has promoted AIDS education in an innovative and popular way through Taobao live broadcast on mobile phones, allowing infected people to gain timely information about their health status, receive better treatment, and reduce the spread of the virus.

Case study — **"Don't let love be rare" event calls for attention to rare diseases**

Behind some rare diseases that one seldom hears of include osteogenesis imperfecta, multiple sclerosis, mitochondrial disease and porphyria are stories of patients fighting for their life against all sorts of illness symptoms. According to incomplete statistics, the incidence of rare diseases is less than one in a thousand, but the number of rare disease patients in China has exceeded 20 million. Patients suffering from rare diseases often face a lack of medical treatment and medicine.

February 29, 2020 is Rare Disease Day. In order to better serve patients with rare diseases amid critical infection prevention and control during the novel COVID-19 epidemic, Alibaba Health launched a large-scale event called "Don't let love be rare" on the Alipay APP, building on the foundation of the "Global Pharmaceutical Search Alliance" which was previously introduced to specifically serve rare disease patients. With the joint efforts of 41 authoritative medical experts in the field of rare diseases, services were provided to patients through online live broadcasts and online consultations, thereby also calling on the society to care for and work towards the prevention of rare diseases.

IV. RESPONSIBLE OPERATIONS ACHIEVING MULTI-WIN

1. Compliance Management

Alibaba Health attaches great importance to conducting business operations in a responsible manner. Internally, we strengthen our integrity and compliance, and uphold standards of probity. Externally, we actively promote unity and cooperation in the supply chain to build a sustainable supply chain, so as to achieve sustainable development with a win-win outcome for all stakeholders.

Business Integrity

We pride our business on integrity as we actively promote a clean and honest culture by adopting the *Alibaba Group Code of Business Conduct.* A code of business conduct certification examination was held during the reporting period. Through online games, employees were encouraged to actively take part in the certification program and adhere to the standards of integrity. Employees were also invited to watch a series of promotional clips about integrity filmed by Alibaba Group, and to promote a corruption-free work culture.

During the reporting period, Alibaba Health conducted a total of 4,129 person-times of integrity trainings with an average of 11 hours of training per person; a total of five online and offline integrity training sessions for all employees, lasting about 2 hours each; five induction training sessions for new employees, lasting about 1.5 hours each; a total of three special integrity training sessions for offline pharmacies; and one special integrity training sessions to each of consumer healthcare, procurement, marketing, Internet healthcare and other special businesses. During the reporting period, there was no lawsuit against Alibaba Health arising out of corruption.

Alibaba Health has multiple anti-corruption reporting channels, including on the official website of Alibaba Health and the official website of Alibaba Group.

Alibaba Health's Integrity Reporting Channels
Online reporting channel：https://jubao.alibaba.com/internet/readme.htm?site=tmall
Reporting email：alihealth-integrity@alibaba-inc.com
Reporting hotline：0571–81984103

Supplier Management

Alibaba Health's procurement for its core business mainly includes pharmaceutical products, healthcare supplements and medical devices for its direct pharmacy business, and office consumables, advertisements, legal services, marketing services and renovation services for its non-core business. Alibaba Health attaches great importance to supplier management and follows Alibaba's procurement rules. We have put in place the *Alibaba Health Supplier Management System* to standardize the procedures of supplier database entry and supplier information input. We have also established the supplier rating system and supplier evaluation and elimination mechanism in order to implement open and transparent procurement and regulate procurement behaviour.

During the reporting period, we updated the *Alibaba Health Procedure for Non-Core Business Procurement* by adding a three-party comparison/bidding project execution process. Based on the principles of consistency, prudence and fairness, we strengthened the risk prevention of unfair treatment in the three-party comparison/bidding process. Alibaba Health conducts on-site visits to all suppliers before confirming their participation in and formal presentation of the bidding and reviews the companies' qualifications in advance to ensure that suppliers meet the requirements of Alibaba Group and the Company.

Alibaba Health is committed to building a green supply chain. It has strengthened the anti-rust treatment for the product shelves of new offline pharmacy stores in Guangzhou. All purchased shelves are sent to a professional spraying factory for acid washing and rust removal before painting, and are inspected by the Company, before acceptance upon delivery.

Number of Alibaba Health's Suppliers

	FY2018	FY2019	**FY2020**
Domestic suppliers of core business	463	462	**700**
Overseas suppliers of core business	20	51	**107**
Suppliers of non-core business	86	130	**196**

Protecting Intellectual Property Rights

While protecting its own intellectual property rights, Alibaba Health respects and protects the intellectual property rights of others, strictly abides by the *Patent Law of the People's Republic of China,* the *Trademark Law of the People's Republic of China* and the *Copyright Law of the People's Republic of China* and other laws and regulations. It remains committed to maintaining the order of the Internet-based pharmaceutical and healthcare market.

We adopted Alibaba Group's *Code of Business Conduct*, requesting each employee of Alibaba Health to comply with any applicable provisions and conditions specified in the agreements relevant to proprietary information and inventions. Third party names, brands, logos, data or softwares must be used carefully under applicable laws and relevant authorizations from intellectual property holders. Alibaba Health encourages employees to innovate. Rewards are given in accordance with Alibaba Group's innovation award scheme, and all innovations are protected, to foster an atmosphere for innovation. Alibaba Health strengthens intellectual property right infringement risk management for brands, and proactively coordinates brands for follow up actions in case of infringements. During the reporting period, other than coordinated brands for two micro photo infringements, there was no other infringement of intellectual property rights by Alibaba Health.

2. Employee Care

Adhering to the people-oriented philosophy in building its corporate culture and operations, Alibaba Health has always regarded its employees as its most valuable assets. Emphasis is given to personnel training and employee care, so that employees can grow along with the Company.

Employee Rights

In strict compliance with the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China* and other laws and regulations, Alibaba Health respects the reasonable rights and interests of employees in accordance with the laws, upholds the principle of equal employment, and bans discrimination based on gender, ethnicity, marital status, religion and other factors in all aspects of staff recruitment, training and promotion. Employment of child workers and forced labour are strictly prohibited.

Alibaba Health offers competitive performance and welfare benefits to its employees. We strictly abide by the *Social Insurance Law of the People's Republic of China* and the *Regulations on the Administration of Housing Provident Funds*, and have formulated a salary management system and various employee incentive policies. "Five insurances and one fund" are paid for employees with labour contracts, and allowances, performance distributions and rewards, etc, are also provided.

As at March 31, 2020, Alibaba Health had 990 employees, of which 40.6% were female.

Employee Structure (Persons)

		FY2018	FY2019	**FY2020**
Number of employees by level	Senior management	12	32	**20**
	Middle management	37	56	**55**
	Entry-level employees	435	720	**915**
Number of employees by age	29 years of age or under	165	270	**324**
	30 to 50 years of age	319	535	**658**
	51 years of age or above	0	3	**8**
Number of employees by gender	Male	264	462	**588**
	Female	220	346	**402**

Employee Training

Alibaba Health provides employees with customized and diversified training opportunities, and creates a good team atmosphere for continual learning and continual innovation. Building on Alibaba Group's training platform, Alibaba Health has established a multi-level training system that covers employees from different systems and levels, helping employees to improve and enhance their knowledge, skills and work methods, so that they can grow together with the Company.

We regularly invite Alibaba Group's business leaders to give lectures on business, research and development, operations and policies, and invite external experts to conduct professional training in public relations, legal affairs, finance and other fields to enhance employees' all-round professional skills. The comprehensive and diverse "Alibaba Health Welcomes New Arrivals" orientation training is provided for all new hires, through which our corporate values, culture and operations are introduced, to help new recruits quickly adapt to their new work environment. For mid-level employees, we have created customized product-oriented or technology-oriented training sessions, on top of the leadership and management ability training for all such staff. Through the manager training program, monthly management meetings and other activities, the Company's senior management discuss the Company's future development and share their management experiences. We also organize our "Planet Project" night school where we regularly invite guests to share their knowledge and experience, providing rich training content for our employees.

Case study

Alibaba Health's "Planet Project" night school — Sharing on medical AI scenarios and opportunities

With the third session of Alibaba Health's "Planet Project" night school, experts in the medical AI industry were invited to share their views with our employees. Lectures and sharing on two topics, "Should medical AI products focus on serious medical scenarios or health management scenarios in the future" and "What business model should we choose for our medical AI products?", attracted enthusiastic discussion and interaction among our employees. With the active participation and interaction of Alibaba Health's employees, the event demonstrated the positive effect of "continually learning by thoughtful reflection".

During the reporting period, we recorded more than 1,200 person-times of Alibaba Health's employee participation in various business-related training, with an average of 76 hours of training per person.

Training Data by Employee's Level

	FY2018		FY2019		**FY2020**	
Categories	Percentage of trained employees	Average training hours	Percentage of trained employees	Average training hours	**Percentage of trained employees**	**Average training hours**
Senior management	100%	36	100%	72	**100%**	**84**
Middle management	100%	144	100%	144	**100%**	**144**
Entry-level employees	100%	58	100%	70	**100%**	**64**

Employee Care

During the outbreak of COVID-19, Alibaba Health tried its best to provide care for employees in Hubei, the epicenter of the epidemic, to ensure their medical and protection needs were met. In response to the many needs of its employees in Hubei, such as access to face masks, epidemic communication, prevention and protection, remote medical consultation, and fast-track consultation, Alibaba Group established the Wuhan Frontline Emergency Response Team with Alibaba Health as the main force of the team, actively seeking medical assistance and other resources for infected employees and their families. Our warehousing and logistics team set aside separate medical supplies delivery and ordering services for employees in affected areas, offering not only assistance but also confidence and hope to the affected employees.

In its daily operations, Alibaba Health cares for every employee, listens to their diverse demands, implements humanized management, and helps them realize personal development while creating a cohesive corporate culture. We also pay attention to the work-life balance of our employees. A variety of cultural and sports activities are organized during holidays as a means to promote communication and interaction among employees, and to let them showcase their personality, strengthen their communication skills, and improve their wellbeing and happiness. On May 10 of every year — Ali Day, employees of Alibaba Health can participate in Alibaba Group's wedding activities. During the reporting period, Alibaba Health organized a special training activity to promote corporate values to employees, and conducted trainings in Beijing, Hangzhou and other places of operation to cover all management staff. In-house training was provided by the management to their respective teams to ensure consistency and cohesion in team values. We continued to hold celebration ceremonies for employees completing three years of service and five years of service, and rewards were given to employees who had been employed for three years and five years respectively. In addition, we also organized group celebrations and gave out gifts on holidays such as Women's Day, Dragon Boat Festival and Mid-Autumn Festival.

At Alibaba Health, we strive to create a healthy and safe work environment as we strictly abide by the *Occupational Disease Prevention and Control Law of the PRC* and the *Safety Production Law of the PRC* and other laws and regulations. We arrange medical check-ups for employees every year, take out additional medical insurance for employees, provide paid maternity leave for female employees and lactating rooms for nursing female employees. During the reporting period, we did not experience any work-related injury or fatal accidents, and the lost time due to work-related injuries was zero.

3. Information Security

Alibaba Health takes information security and privacy protection seriously, for both itself and its customers. Various effective measures and methods are in place to ensure information security. We adopt internal management and standards, and reasonable and prudent use of information to reduce the risk of leakage.

Data Security

Alibaba Health attaches great importance to network security and information protection. By establishing systematic prevention measures, data security risks are prevented and controlled. Leveraging our own data security team and Alibaba Group's security technology team comprising thousands of team members, we safeguard data security at multiple levels including in relation to the organizational structure, systems and processes, technical means and personnel capabilities. Our data security system has achieved the ISO27000 information security management system certification and the ISO9000 quality management system certification.

Alibaba Health has set up a hierarchy of qualifications for accessing and controlling information data, under which information access rights are clearly defined and time limit for access are set. Daily monitoring on data management staff is also conducted. The Company has formulated data security emergency plans and drills, and conducts data security drills for different scenarios, effectively improving the response capabilities of relevant staff.

During the reporting period, Alibaba Health held different levels of training on data security for employees. Data security training was conducted for all new hires, and special data security training was conducted in respect of our warehouse system security. Relevant personnel involved in data security incidents were also further trained to enhance the data security awareness and response capabilities among our employees.

Privacy Protection

Alibaba Health protects users' privacy and data security in accordance with the law, and strictly complies with laws and regulations such as the *Cybersecurity Law of the People's Republic of China,* the *Regulations on Technical Measures for Internet Security Protection of the People's Republic of China*, the *Regulations on Protection of Personal Information of Telecommunication and Internet Users of the People's Republic of China*, and the *General Data Protection Regulation (GDPR)*. Our customer privacy protection work follows the *Data Security Specifications* and supporting rules. The *Data Security Specifications* provide detailed and practical rules for data security from the perspectives of organization, process, and tools. We have established management procedures for data collection and transmission, storage security, encrypted protection, authorized access and usage/destruction to strengthen data security management and encrypted protection. For client information management, we use classification and hierarchical management methods, and adopt systematic access rights management for staff who have access to private data. Database logs are also recorded for operations of private data. In addition, regular training on data security and confidentiality is organized for all staff, so as to prevent the risk of data leakage, loss or tampering from three aspects — information technology, personnel and processes. In addition, we strictly follow the principle of "only disclosing the minimum needed" when any disclosure of client information is required. Each time before we disclose customer information to a third party, we must go through a prior written disclosure review, and the disclosure target is limited to the third party that the customer has been informed of, so that clients privacy and data security are strictly protected.

4. Giving Back to Society

We remain committed to public service, which is rooted in the genes of Alibaba Health. Based on Alibaba Group's philosophy of public service, Alibaba Health continually explores the effective combination of its own business and public service practices by leveraging on its Internet technology and platform advantages, mobilizing all efforts to actively participate in the development of public service work. Putting philanthropy in action through projects such as the "Global Pharmaceutical Search Alliance", "Expired Drug Collection Alliance" and "Yizhilu" (health knowledge initiative), Alibaba Health has forged a unique philanthropic path and motivated many others to follow the path of philanthropy, benefitting more people in need.

During the reporting period, under the theme of "Philanthropy through Health", Alibaba Health rolled out a "three-hour public service" plan among its employees, covering a diverse range of activities. Nine employees' charitable activities were organized in collaboration with Zhejiang Provincial People's Hospital, the Children's Hospital of Zhejiang University School of Medicine, and Aviation General Hospital of China Medical University, to assist visiting patients in the processes of registration, payment, finding the right department and triage. Meanwhile, we also carried out a health-oriented volunteer activity to offer free medical consultations to employees of the Group. During the reporting period, our employees completed 4.11 hours of public service per person, totaling 3,170.30 service hours.

Case study

Paying tribute to heroes — Alibaba Health's charitable activity to repair scars for first-line firefighters

According to public information, there are 190,000 members in China's comprehensive fire rescue team. China has reached international advanced standards in terms of fire rescue equipment. However, due to the special nature of firefighting, there are still a very small number of firefighters who were burned when firefighting. Scars caused by burns are difficult to fully heal and will, in most cases, stay with the firefighters for the rest of their life, which can affect their work and life to a certain extent.

In order to make up for these imperfections caused by work, Alibaba Health teamed up with Hangzhou Plastic Surgery Hospital to launch a charitable activity to repair scars for first-line firefighters. On September 25, 2019, three firefighters from Hangzhou Fire Rescue Detachment were invited to receive examination and injury diagnosis provided by a team of doctors led by Dr. Yao Ping, Vice President of Hangzhou Plastic Surgery Hospital. After a professional diagnosis, the team of doctors developed comprehensive repair and treatment plans for the three firefighters.

Following on from this opportunity, Alibaba Health is considering working with third-party non-profit organizations and collaborating with plastic surgery providers on Alibaba Health's platform to jointly initiate and establish a firefighters, charity fund, and provide scar repair charity services for frontline firefighters nationwide.

Case study **Charity event providing free consultations and tests for dry eye syndrome**

Alibaba Health celebrated National Sight Day on June 6, 2019 by collaborating with experts from AIER Eye Hospital to hold a charity event where employees were offered free consultations for dry eye syndrome. Free onsite dry eye syndrome tests by ophthalmologists were provided to employees of Ant Financial, and consultations on eye diseases such as myopia and laser correction surgery were also provided to promote awareness of proper eye care and protection.

5. Environmental Protection

Alibaba Health treats the ecological environment with respect, and pays great attention to environmental protection and resource conservation. As a non-production enterprise, Alibaba Health has a very limited impact on the environment but has nevertheless persistently integrated environmental protection concepts to every detail of its daily operations management, to promote a green workplace and encourage its employees to save resources and eliminate waste.

We strictly observe the *Energy Conservation Law of the People's Republic of China*, and take initiatives to save water, electricity, and reduce paper consumption. Currently, the Company is mainly using such energy sources as electricity, gas, and outsourced thermal power. We rely on municipal water supply which does not involve external water sources.

Energy	• Recruiting personnel to inspect the office area throughout the day, turn off unnecessary equipment on a timely basis, and adjust indoor air conditioning temperature and the fresh air system of the building, so as to reduce power consumption. • Converting all meeting rooms into video conferencing rooms to reduce unnecessary business trips.
Water	• Promoting water conservation and reducing wastage of water through promoting awareness and using slogans as reminders.
Office supplies	• Promoting the double-sided use of paper, and joining Alibaba Group to carry out activities of exchanging waste paper for plants to encourage the recycling of reusable waste paper and old and obsolete contracts generated in the office. • Requiring employees to only obtain supplies as needed to eliminate wastage of resources.

Energy and Resource Consumption

Indicator (Unit)	Consumption			Density (Consumption per Employee)		
	FY2018	FY2019	**FY2020**	FY2018	FY2019	**FY2020**
Electricity consumption (kWh)	350,469	378,791	**355,914**	724.11	468.80	**359.51**
Water consumption (tons)	5,341.7	4,600	**4,264.35**	11.04	5.69	**4.31**
Greenhouse gas emissions (tons of CO_2 equivalent)	353.7	355.7	**332.76**	0.73	0.44	**0.34**
Office paper (tons)	0.949	1.209	**1.163**	0.00196	0.00150	**0.00117**

For waste management, the Company strictly complies with the *Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution*, and conducts classification and compliant disposal of solid waste. Waste generated mainly includes transportation packaging materials, waste toner cartridges, waste lighting tubes, waste batteries, waste paper, other office consumables, domestic waste, and recycled expired drugs from offline stores. Given the nature of its business, the Company does not produce products, so it does not consume any product packaging materials. During the reporting period, in response to the call for action from Alibaba Group, Alibaba Health launched waste sorting initiatives and encouraged its employees to sort recyclables and non-recyclables according to waste classification standards and put them into designated sorting boxes for disposal by the Company. Recycled expired drugs were safely destroyed in accordance with the law. During the Reporting Period, we disposed of 4.827 tons of discarded drugs.

INDEPENDENT AUDITOR'S REPORT

EY 安永

Independent auditor's report
To the shareholders of Alibaba Health Information Technology Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Alibaba Health Information Technology Limited (the "Company") and its subsidiaries (the "Group") set out on pages 135 to 257, which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of investments in associates	
As at March 31, 2020, the Group held investments in associates of approximately RMB1,945.8 million, which is significant to the consolidated financial statements. The Group identified indicators of impairment for investments in associates and accordingly, with assistance of an independent valuer, performed impairment tests for these investments by comparing the carrying amounts as at March 31, 2020 with the corresponding recoverable amounts. The recoverable amounts were determined by using the discounted cash flow method which required management to apply significant assumptions and estimates, such as expected revenue and margin development, discount rates and perpetual growth rates. Relevant disclosures are included in note 2.4 "Summary Of Significant Accounting Policies", note 3 "Significant Accounting Judgement And Estimates" and note 19 "Investments In Associates" to the consolidated financial statements.	We performed the following procedures to address the key audit matter: — Evaluating the Group's policies and procedures of identifying indicators for potential impairment of the investments in associates; — Evaluating the capabilities and objectivity of the independent valuer; — Assessing the reasonableness of expected revenue and margin development by making enquiries with management and with reference to historic information; — With the assistance of internal valuation specialists, examining the valuation methodologies and evaluating the assumptions and estimates used, including the discount rate and the perpetual growth rate; — Checking the mathematical accuracy of management's valuation schedules; and — Evaluating the adequacy of the relevant disclosures in the consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment of inventories	
As at March 31, 2020, the carrying amount of the Group's inventories before provision was approximately RMB1,232.4 million. The inventories were stated at the lower of cost and net realisable value. The determination of net realisable value, and obsolete and slow-moving inventory items involved management's judgement and estimation. Specific factors management considered included the ageing and expiry dates of the inventories, condition of the goods, historical and recent sale patterns, available selling prices and estimated costs to be incurred to completion and disposal. The Group recorded an impairment of inventories of approximately RMB15.1 million for the year ended March 31, 2020. Relevant disclosures are included in note 2.4 "Summary Of Significant Accounting Policies", note 3 "Significant Accounting Judgement And Estimates" and note 20 "Inventories" to the consolidated financial statements.	We performed the following procedures to address the key audit matter: — Observing the inventory counts performed by management and assessing the physical condition of the inventories, on a sample basis; — Evaluating the provision of obsolete and slow-moving inventory items made by management by checking to ageing and expiry dates of the inventories, on a sample basis; — Understanding and assessing the appropriateness of management's assessment on available selling price and estimated costs to be incurred to completion and disposal based on historical and recent sales patterns, on a sample basis; — Comparing the actual selling prices less cost to sales of the inventories subsequent to year end, on a sample basis, to their carrying amounts to check whether the inventories are stated at the lower of cost and net realisable value; and — Evaluating the adequacy of the relevant disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Man Kit.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

May 27, 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended March 31, 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	**9,596,476**	5,095,867
Cost of revenue		**(7,365,096)**	(3,764,604)
Gross profit		**2,231,380**	1,331,263
Operating expenses:			
Fulfilment	6	**(1,098,254)**	(572,123)
Sales and marketing expenses		**(722,720)**	(454,838)
Administrative expenses		**(219,973)**	(181,016)
Product development expenses		**(252,843)**	(219,018)
Other income and gains	5	**161,269**	67,014
Other expenses		**(33,768)**	(2,502)
Finance costs	7	**(21,965)**	(27,966)
Share of losses of:			
Joint ventures	18	**(12,737)**	(737)
Associates	19	**(21,295)**	(907)
PROFIT/(LOSS)BEFORE TAX	8	**9,094**	(60,830)
Income tax expense	11	**(24,790)**	(30,934)
LOSS FOR THE YEAR		**(15,696)**	(91,764)
Attributable to:			
Owners of the parent		**(6,586)**	(81,949)
Non-controlling interests		**(9,110)**	(9,815)
		(15,696)	(91,764)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	12	**RMB(0.06) cents**	RMB(0.74) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended March 31, 2020

	Note	2020 RMB'000	2019 RMB'000
LOSS FOR THE YEAR		**(15,696)**	(91,764)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income may be reclassified to profit or loss in subsequent periods:			
Translation from functional currency to presentation currency		**74,824**	62,213
Other comprehensive income will not be reclassified to profit or loss in subsequent periods:			
Equity investment designated at fair value through other comprehensive income ("FVOCI"):			
Change in fair value		**46,161**	—
Income tax effect	30	**(4,616)**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**116,369**	62,213
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**100,673**	(29,551)
Attributable to:			
Owners of the parent		**109,783**	(19,736)
Non-controlling interests		**(9,110)**	(9,815)
		100,673	(29,551)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2020

	Notes	March 31, 2020 RMB'000	March 31, 2019 RMB'000
NON-CURRENT ASSETS			
Property and equipment	14	**12,999**	8,886
Investment property	15(a)	**10,599**	–
Right-of-use assets	15(a)	**59,333**	–
Other intangible assets	17	**4,467**	–
Goodwill	16	**54,576**	27,006
Investments in joint ventures	18	**111,247**	10,985
Investments in associates	19	**1,945,789**	1,964,854
Long-term receivables	22	**21,732**	39,372
Equity investment designated at FVOCI	25	**173,456**	119,801
Financial assets at fair value through profit or loss ("FVPL")	24	**462,778**	507,587
Total non-current assets		**2,856,976**	2,678,491
CURRENT ASSETS			
Inventories	20	**1,217,258**	595,793
Trade and bills receivables	21	**324,541**	365,446
Prepayments, other receivables and other assets	22	**413,492**	323,352
Financial assets at FVPL	24	**402,485**	1,736,713
Restricted cash	23	**60,239**	1,719
Cash and cash equivalents	23	**2,594,981**	280,371
Total current assets		**5,012,996**	3,303,394
CURRENT LIABILITIES			
Interest-bearing borrowings	28	**–**	1,700,000
Lease liabilities	15(b)	**32,030**	–
Trade and bills payables	26	**1,865,526**	902,651
Other payables and accruals	27	**513,250**	463,642
Contract liabilities	29	**171,280**	151,991
Tax payable		**27,817**	15,098
Total current liabilities		**2,609,903**	3,233,382
NET CURRENT ASSETS		**2,403,093**	70,012
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,260,069**	2,748,503

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2020

	Notes	March 31, 2020 RMB'000	March 31, 2019 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	15(b)	**37,725**	—
Deferred tax liabilities	30	**19,829**	11,677
Total non-current liabilities		**57,554**	11,677
Net assets		**5,202,515**	2,736,826
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	**106,108**	102,898
Treasury shares	31	**(13,039)**	(25,052)
Reserves	33	**5,176,076**	2,716,673
		5,269,145	2,794,519
Non-controlling interests		**(66,630)**	(57,693)
Total equity		**5,202,515**	2,736,826

Wang Qiang
Director

Zhu Shunyan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended March 31, 2020

	Notes	Attributable to owners of the parent											
		Share capital	Share premium account^	Treasury share	Merger reserve^	Exchange fluctuation reserve^	Employee share-based compensation reserve^	Equity investments at fair value through other comprehensive income revaluation reserve^	Other reserves^	Accumulated losses^	Total	Non-controlling interests	Total equity
		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 April 1, 2019		102,898	19,966,843	(25,052)	(16,397,767)	75,873	231,955	–	120,364	(1,280,595)	2,794,519	(57,693)	2,736,826
Loss for the year		–	–	–	–	–	–	–	–	(6,586)	(6,586)	(9,110)	(15,696)
Other comprehensive income for the year:													
Change in fair value of financial assets at FVOCI		–	–	–	–	–	–	41,545	–	–	41,545	–	41,545
Translation from functional currency to presentation currency		–	–	–	–	74,824	–	–	–	–	74,824	–	74,824
Total comprehensive income for the year		–	–	–	–	74,824	–	41,545	–	(6,586)	109,783	(9,110)	100,673
Issue of new shares for restricted share units ("RSUs")	*31*	315	–	(315)	–	–	–	–	–	–	–	–	–
Issue of new shares	*31*	2,667	1,997,913	–	–	–	–	–	–	–	2,000,580	–	2,000,580
Repurchase of shares	*31*	–	–	(17,814)	–	–	–	–	–	–	(17,814)	–	(17,814)
Share-based compensation expenses	*32*	–	–	–	–	–	277,139	–	–	–	277,139	–	277,139
Vested awarded shares transferred to employees	*31*	–	215,335	30,142	–	–	(245,477)	–	–	–	–	–	–
Exercise of share options	*31*	228	164,641	–	–	–	(52,887)	–	–	–	111,982	–	111,982
Deemed interest in an interest-free loan to a non-wholly owned subsidiary		–	–	–	–	–	–	–	(173)	–	(173)	173	–
Appropriation of statutory reserves		–	–	–	–	–	–	–	9,885	(9,885)	–	–	–
Share of capital reserve of an associate		–	–	–	–	–	–	–	(6,871)	–	(6,871)	–	(6,871)
At March 31, 2020		106,108	22,344,732	(13,039)	(16,397,767)	150,697	210,730	41,545	123,205	(1,297,066)	5,269,145	(66,630)	5,202,515

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended March 31, 2019

		Attributable to owners of the parent										
	Notes	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	Other reserves^ RMB'000	Accumulated losses^ RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At April 1, 2018		86,617	7,255,519	(5,474)	(3,828,605)	13,660	142,480	119,360	(1,203,309)	2,580,248	(57,191)	2,523,057
Loss for the year		–	–	–	–	–	–	–	(81,949)	(81,949)	(9,815)	(91,764)
Other comprehensive loss for the year:												
Translation from functional currency to presentation currency		–	–	–	–	62,213	–	–	–	62,213	–	62,213
		–	–	–	–	62,213	–	–	(81,949)	(19,736)	(9,815)	(29,551)
Issue of new shares for restricted share units	31	245	–	(245)	–	–	–	–	–	–	–	–
Issue of new shares for acquisition under common control	31	15,932	12,554,598	–	(12,569,162)	–	–	–	–	1,368	–	1,368
Purchase of shares by Share Award Scheme Trust	31	–	–	(37,846)	–	–	–	–	–	(37,846)	–	(37,846)
Share-based compensation expenses	32	–	–	–	–	–	213,493	–	–	213,493	–	213,493
Vested awarded shares transferred to employees	31	–	73,474	18,513	–	–	(91,987)	–	–	–	–	–
Exercise of share options	31	104	83,252	–	–	–	(30,377)	–	–	52,979	–	52,979
Transfer of share-based compensation reserve of options lapsed after vesting date		–	–	–	–	–	(1,654)	–	1,654	–	–	–
Acquisition and incorporation of subsidiaries		–	–	–	–	–	–	–	–	–	9,380	9,380
Deemed interest in an interest-free loan to a non-wholly owned subsidiary		–	–	–	–	–	–	67	–	67	(67)	–
Transfer to other reserves		–	–	–	–	–	–	(3,009)	3,009	–	–	–
Share of capital reserve of associates		–	–	–	–	–	–	3,946	–	3,946	–	3,946
At March 31, 2019		102,898	19,966,843	(25,052)	(16,397,767)	75,873	231,955	120,364	(1,280,595)	2,794,519	(57,693)	2,736,826

^ These reserve accounts comprise the consolidated reserves of RMB5,176,076,000 (March 31, 2019: RMB2,716,673,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax		**9,094**	(60,830)
Adjustments for:			
Share of losses of joint ventures		**12,737**	737
Share of losses of associates		**21,295**	907
Bank interest income	5	**(54,904)**	(23,573)
Other interest income	5	**(1,307)**	(1,483)
Gain on disposal of items of property and equipment	5	**(31)**	(15)
Gain on disposal of a joint venture	5	**—**	(12,417)
Gain on deemed partial disposal of associates	5	**(41,762)**	—
Gain on disposal of an associate	5	**(21,791)**	—
Finance costs		**21,965**	27,966
Dividend income from financial asset at FVPL	5	**(1,874)**	—
Fair value losses/(gains) on financial assets at FVPL	5/8	**22,003**	(26,248)
Depreciation of property and equipment	8	**5,830**	3,989
Depreciation of right-of-use assets	8	**27,295**	—
Depreciation of investment property	8	**7,087**	—
Amortisation of intangible assets	8	**1,477**	—
(Reversal of impairment)/impairment of trade receivables	8	**(888)**	1,226
Reversal of impairment of other receivables	8	**—**	(807)
Provision/(reversal of provision) and write-off of inventories	8	**18,583**	(11,526)
Foreign exchange differences, net		**6,751**	64
Share-based compensation expenses	8	**277,139**	213,493
		308,699	111,483
Decrease/(increase) in trade and bills receivables		**41,796**	(275,299)
Increase in prepayments, other receivables and other assets		**(169,541)**	(181,368)
Increase in inventories		**(638,960)**	(141,473)
Increase in trade and bills payables		**960,575**	579,324
Increase in other payables and accruals		**57,877**	230,879
Increase in contract liabilities		**19,289**	40,115
(Increase)/decrease in restricted cash		**(58,520)**	549
Decrease in long-term receivables		**17,640**	15,939
Exchange differences		**3,785**	(660)
Cash generated from operations activities		**542,640**	379,489
Interest received		**52,643**	32,486
Interest element of lease payments		**(3,133)**	—
PRC taxes paid		**(7,227)**	(15,406)
HK taxes paid		**(1,308)**	(199)
Net cash flows generated from operating activities		**583,615**	396,370

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2020

	Notes	2020 RMB'000	2019 RMB'000
Net cash flows generated from operating activities		**583,615**	396,370
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment	14	**(7,567)**	(6,102)
Purchase of intangible assets	17	**(5,944)**	—
Redeem/(purchase) of financial assets at FVPL		**1,357,034**	(2,155,747)
Purchase of an equity investment designated at FVOCI		**—**	(119,801)
Proceeds from disposal of items of property and equipment		**113**	48
PRC tax paid		**—**	(3,659)
Business acquisitions	34	**(21,212)**	(2,876)
Repayment of a loan		**15,000**	—
Interest received		**2,266**	—
Dividend receipt from a financial asset at FVPL		**1,874**	—
Dividend receipt from investment in an associate		**1,410**	—
Capital injection in associates		**—**	(982,852)
Capital injection in a joint venture		**(113,000)**	(13,500)
Proceeds from disposal of a joint venture		**62,369**	—
Proceeds from disposal of an associate		**53,042**	—
Decrease of time deposits with original maturity of over three months		**—**	888,778
Net cash flows generated from/(used in) investing activities		**1,345,385**	(2,395,711)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of new shares		**2,000,580**	—
Repurchase of shares		**(17,814)**	(37,846)
Bank loans and other borrowings		**—**	2,304,162
Repayment of bank loans and other borrowings		**(1,700,000)**	(604,162)
Proceeds from exercise of options		**111,982**	52,979
Interest paid		**(36,161)**	(10,624)
Principal portion of lease payments		**(29,773)**	—
Capital contribution from a non-controlling shareholder of a subsidiary		**—**	3,980
Net cash flows generated from financing activities		**328,814**	1,708,489
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**2,257,814**	(290,852)
Effect of foreign exchange rate changes		**56,796**	62,804
Cash and cash equivalents at beginning of year		**280,371**	508,419
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,594,981**	280,371

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2020

	Notes	**2020** **RMB'000**	2019 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**2,033,262**	162,626
Non-pledged time deposits with original maturity of three months or less when acquired and cash equivalents placed at a payment platform	23	**561,719**	117,745
Cash and cash equivalents as stated in the consolidated statement of financial position and cash flows	23	**2,594,981**	280,371

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

1. CORPORATE AND GROUP INFORMATION

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

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

In the opinion of the directors, the Company's immediate holding company is Perfect Advance Holding Limited ("Perfect Advance"), which is incorporated in the British Virgin Islands, and the ultimate holding company of the Company is Alibaba Group Holding Limited ("Alibaba Holding", together with its subsidiaries, "Alibaba Group").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Alibaba Health (Hong Kong) Technology Company Limited ("Alibaba Health (Hong Kong)")	Hong Kong	HK$1,000,000	–	100	Investment holding and pharmaceutical e-commerce
阿里健康信息技術(北京)有限公司 (Alibaba Health Information Technology (Beijing) Co., Ltd.[a])[bc]	PRC/Mainland China	RMB300,000,000	–	100	Provision of e-commerce platform service
中信國檢信息技術有限公司 (CITIC Credit Information Technology Co., Ltd.[a]) ("CCIT")[bde]	PRC/Mainland China	RMB60,000,000	–	50	Provision of product tracking platform services
阿里健康科技(中國)有限公司 (Alibaba Health Technology (China) Limited[a])[bc] ("Alibaba Health (China)")	PRC/Mainland China	RMB295,000,000	–	100	Telemedicine service, comprehensive member service to users, product tracking platform service and pharmaceutical e-commerce
阿里健康大藥房醫藥連鎖有限公司 (Alibaba Health Pharmaceutical Chain Co., Ltd.[a])[bd]	PRC/Mainland China	RMB120,000,000	–	100	Pharmacy business

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place of incorporation/registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
杭州禮和醫藥有限公司 (Hangzhou Lihe Pharmaceutical Co., Ltd.[a]) ("Lihe")[bd]	PRC/Mainland China	RMB20,000,000	–	100	Pharmaceutical product trading and healthcare service business
弘雲久康數據技術(北京)有限公司 (Hongyun Jiukang Data Technology (Beijing) Co., Ltd.[a]) ("Hongyun Jiukang")[bdf]	PRC/Mainland China	RMB1,000,000	–	100	Investment holding
阿里健康科技(杭州)有限公司 (Alibaba Health Technology (Hangzhou) Limited[a])[bc]	PRC/Mainland China	RMB200,000,000	–	100	Provision of e-commerce platform services
鹿康大藥房(杭州)有限公司 (Lukang pharmacy (Hangzhou) co., LTD)[abc] (Formerly known as Hangzhou Hengping Health Technology Co., Ltd.[a])	PRC/Mainland China	RMB1,000,000	–	100	Provision of e-commerce platform services
阿里健康網絡醫院有限公司 (Alibaba Health Network Hospital Co., Ltd.[a])[b]	PRC/Mainland China	RMB50,000,000	–	100	Network hospital services

a For identification purposes only

b The statutory financial statements of these subsidiaries are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

c Registered as wholly-foreign-owned enterprises under PRC law

d Registered as limited liability companies under PRC law

e CCIT is accounted for as a subsidiary of the Group because the percentage of voting power attributable to the Group is 80% according to an entrustment arrangement between the Group and a party holding 30% interest in CCIT, pursuant to which the shareholder entrusted all his voting right to the Group.

f The Company does not have legal ownership in the equity of Hongyun Jiukang. However, under certain contractual agreements (including power of attorney agreement, loan agreement, equity option agreement, equity interest pledge agreement and exclusive technical consulting and service agreement) entered into with the registered owners of the entity, the Company through its indirectly wholly-owned subsidiary controls the entity by way of controlling the voting rights, governing the financial and operating policies, appointing or removing the majority of the members of its controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of the entity to the Company and/or its indirectly owned subsidiary. As a result, the entity is treated as a subsidiary of the Company and its financial statements have been consolidated by the Company.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

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

Merger accounting for Business combinations under common control

As disclosed in note 34(B) to the consolidated financial statements, a business combination under common control was effected during the current year, where the business acquired in the business combination and the Company are both ultimately controlled by Alibaba Holding. The business combination was accounted for using the principles of merger accounting.

The net assets of the combining entities are consolidated using the existing book values from the controlling party's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the business combination under common control and no amount is recognised in respect of goodwill. The Company elects to not restate the financial statements for periods prior to the completion of combination under common control. Accordingly, the consolidated statement of profit or loss and the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group include the results and cash flows of the acquired business from the date when the Group obtains control of the acquired business.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended March 31, 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

The Company has set up two trusts (the "Trusts") for the purpose of purchasing, administering and holding the Company's shares for the share award scheme adopted on November 24, 2014 (the "Share Award Scheme", note 32). 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 shares held by the Trusts are presented as a deduction in equity as shares held for the share award scheme.

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits/accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application started from April 1, 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at April 1, 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 as at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after April 1, 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from April 1, 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

As a lessee — Leases previously classified as operating leases (continued)

Impact on transition

Lease liabilities at April 1, 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate as at April 1, 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before April 1, 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 as at April 1, 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact as at April 1, 2019

The impact arising from the adoption of HKFRS 16 as at April 1, 2019 was as follows:

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	73,087
Decrease in prepayments, other receivables and other assets	(4,786)
Increase in total assets	68,301
Liabilities	
Increase in lease liabilities	68,301
Increase in total liabilities	68,301

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

Financial impact as at April 1, 2019 (continued)

The lease liabilities as at April 1, 2019 reconciled to the operating lease commitments as at March 31, 2019 are as follows:

	RMB'000
Operating lease commitments as at March 31, 2019	74,940
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before March 31, 2020	(764)
	74,176
Weighted average incremental borrowing rate as at April 1, 2019	4.676%
Lease liabilities as at April 1, 2019	68,301

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on April 1, 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have significant impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have significant impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after January 1, 2020

2 Effective for annual periods beginning on or after January 1, 2023

3 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

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

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after January 1, 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from April 1, 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

Except for business combination under common control, the Company accounted for its business combinations using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit ("CGU") (group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (group of CGUs) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

Where goodwill has been allocated to a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the CGU retained.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of lease terms and $33^1/_3$%
Computer equipment, furniture and fixtures	20% to $33^1/_3$%
Motor vehicles	20% to $33^1/_3$%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are interests in buildings (including the leasehold property held as a right-of-use asset (2019: Nil) which would otherwise meet the definition of an investment property) held to earn rental income, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each investment property to its residual value over its estimated useful life. The estimated useful lives of buildings are determined based on the lease terms.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents and licences

Purchased patents and patent application rights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of three years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from April 1, 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially and subsequently measured at cost.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from April 1, 2019) (continued)

Group as a lessee (continued)

(b) Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of properties (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases (applicable before April 1, 2019)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are aged more than two years. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payable, other payables and accruals, lease liabilities and interest-bearing borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Group reports revenue on a gross or net basis depending on whether the Group is acting as a principal or an agent in a transaction. The Group is a principal if it controls the specified product or service before that product or service is transferred to a customer or it has a right to direct others to provide the product or service to the customer on the Group's behalf. Indicators that the Group is a principal include but not limited to whether the Group (i) is primarily responsible for fulfilling the promise to provide the specified good or service; (ii) has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer; (iii) has discretion in establishing the price for the specified good or service and etc.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Product tracking platform services

The Group renders series of services through its product tracking platforms to the customers, including product tracking, and provision of recall and enforcement information. Revenue is recognised over the period when the underlying services are provided.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(b) Revenues from the pharmaceutical direct business

Sale of pharmaceutical and healthcare products

The Group is engaged in the sale of pharmaceutical and healthcare products to individual customers ("business-to-customer" or "B2C") through its online stores on Tmall.com ("Tmall") and its offline pharmacy outlets, and to merchant customers ("business-to-business, or "B2B"). Revenue from sale of pharmaceutical and healthcare products is recorded net of discounts and recognised when the goods are delivered to individual customers, either by third party couriers or at the offline outlets, or to merchant customers by third party couriers. For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Marketing services

The Group provides marketing services to pharmaceutical brands primarily through display of impressions or clicks of the pharmaceutical brands' advertisement on various online platforms and mobile apps. The fee from pharmaceutical brands is charged primarily on the basis of per thousand impressions or per click at fixed prices and recognised when impression are displayed or clicks generated.

(c) Revenues from pharmaceutical E-commerce platform business

Outsourced and value-added services to Tmall Entities

The Group provides outsourced and value-added services to Tmall Entities, i.e. 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), in relation to certain categories of products or services sold or provided on Tmall. The outsourced and value-added services include business development for merchants, customer services on behalf of merchants, marketing event planning for merchants and technical support and assistance to the Tmall Entities' business team. Revenue from the outsourced and value-added services is determined as a percentage of the fees paid by merchants to the Tmall Entities in respect of the transaction amount of completed sales of products or services under certain categories on Tmall and recognised when services are rendered and the underlying transactions of merchants are completed.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(c) Revenues from pharmaceutical E-commerce platform business (continued)

E-commerce platform services

The Group provides to merchants on Tmall e-commerce platform maintenance related software services in respect of merchants admission, product quality control, and merchants operational and maintenance support, and earns commissions from merchants generally at 3% of the transaction amounts of merchandise being sold on Tmall by merchants. Revenue of the commissions is recognised at the time when the underlying sale of merchandise by merchants on Tmall is completed.

(d) Revenues from consumer healthcare business

The Group, through its online stores on Tmall and mobile apps, facilitates medical and healthcare service organisations to provide services to end customers. The Group provides to medical and healthcare service organisations with e-commerce platform maintenance related software services, customer consultation, reservation and other value-added services and charges a service fee at a percentage of the amount of the transaction entered into by the medical and healthcare service providers and their customers, or at a fixed price per reservation through the Group's online store. The revenue is recognised at the time when the underlying transaction is completed by the medical and healthcare service provider through Tmall.

The Group also provides e-commerce platform maintenance related software service, marketing event planning service, promotion service to aesthetic medicine service providers through its self-operated online store on Tmall. The Group charges the aesthetic medicine service providers a fixed fee for services to be provided generally over a year and recognises revenue ratably over the service period.

The Group also provides marketing services to medical and healthcare service organisations primarily through display of impressions or clicks of the advertisement in particular areas of web page or mobile app. The fee from medical and healthcare service organisations is charged primarily on the basis of per thousand impressions or per click at fixed prices and recognised when impression are displayed or clicks generated.

(e) Revenues from internet healthcare business

The Group provides multi-faceted, multi-level, professional and convenient health consultation services to users through their engaged professionals, such as medical practitioners, pharmacists and nutritionists. The Group charges a fixed consultation fee to the user and recognises revenue at the time when the service is rendered to the user.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Costs of services

Costs of services comprise labour, other costs of personnel directly engaged in providing the services and attributable overhead costs for technical support and other direct costs of service purchased.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

The Company operates a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after November 7, 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Full-time employees of the Group's subsidiaries which operate in Mainland China are required to participate in a defined contribution scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the defined contribution scheme which includes pension, medical care, unemployment insurance, employee housing fund and other welfare. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the defined contribution scheme. The Group has no legal obligation for the benefits beyond the contributions made.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the note 13 to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

The Company's functional currency is HK$, while these financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Accounting for companies governed under contractual arrangements as subsidiaries

The Company and some of its subsidiaries do not hold any equity interests in certain of their subsidiaries. Nevertheless, under the contractual agreements entered into between the Group and the shareholders who are the registered owners of those subsidiaries, the directors of the Company determine that the Group has the power to govern the financial and operating policies of those subsidiaries so as to obtain benefits from their activities. As such, those subsidiaries are accounted for as subsidiaries of the Group for accounting purposes.

Principal versus agent considerations

In determining whether the Group is acting as a principal or as an agent in the sales of goods and provision of services, requires judgement and consideration of all relevant facts and circumstances. In evaluation of the Group acting as a principal or an agent, the Group considers whether it obtains control of the goods or service before that goods or service is transferred to a customer, including whether the Group is primarily responsible for fulfilling the promise to provide the specified good or service, has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer (for example, if the customer has a right of return), has discretion in establishing the price for the specified good or service.

Property lease classification — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership incidental to these properties which are leased out and accounts for the contracts as operating leases.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Significant judgement in determining the lease term of contracts with termination options

The Group has several lease contracts that include termination options. The Group applies judgement in evaluating whether or not to exercise the option to terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to terminate.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Variable consideration for returns

The Group estimates variable consideration to be included in the transaction price for the sale of industrial products with rights of return and volume rebates.

The Group developed a statistical model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at March 31, 2020 was RMB54,576,000 (March 31, 2019: RMB27,006,000). Further details are given in note 16.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on aging for groupings of various customers that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the pharmaceutical and healthcare businesses, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 21 to the financial statements.

Fair value of financial instruments at FVPL or FVOCI

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 39 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. Further details are included in note 24 to the financial statements.

The wealth management products have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows, credit risk volatility and discount rates and hence they are subject to uncertainty.

The derivative instruments held by the Group and financial liabilities of the Group have been valued based on valuation models with the assistance of the external valuer engaged by the Group. Management make estimates and assumptions about factors, such as risk-free interest rate, dividend yield, expected volatility and expected probability as the parameters for applying the valuation. Further details are included in note 24 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Impairment of inventories

Management reviews the ageing and expiry dates of inventories of the Group at the end of each reporting period, and makes provision on obsolete and slow-moving inventory items identified that are no longer suitable for sale. Management estimates the net realisable value for such inventories based primarily on the available selling prices, estimated costs to be incurred to completion and disposal and current market conditions. If the market condition was to deteriorate so that the actual provision might be higher than expected, the Group would be required to revise the basis of making the provision and its future results would be affected.

Impairment of investments in associates

The Group assesses whether there are any indicators of impairment for investments in associates at the end of each reporting period. Investments in associates are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying amount of an investment in an associate exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the associate and choose a suitable discount rate in order to calculate the present value of those cash flows.

Leases — estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Measurement of share-based compensation expenses

The Company adopted a share award scheme. Share-based compensation expenses is recorded net of estimated forfeitures in the consolidated statement of profit or loss and as such is recorded for those share-based awards that are expected to vest. Determining the fair value of share options and RSUs requires significant judgement. The Company estimated the fair value of its share options and RSUs using the binomial model, which requires the Group to make estimates about inputs, such as expected volatility, expected dividend yield, exercise multiple, risk-free interest rate and expected forfeiture rate, and hence it is subject to uncertainty.

4. OPERATING SEGMENT INFORMATION

The Group is primarily engaged in pharmaceutical direct business, operation of pharmaceutical e-commerce platform, and consumer healthcare services platform, provision of tracking and digital health business and internet healthcare 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, accordingly, no segment information is presented.

Geographical information

(a) Revenue from external customers

	2020 ***RMB'000***	2019 *RMB'000*
Mainland China	**9,275,741**	4,979,016
Hong Kong	**320,735**	116,851
	9,596,476	5,095,867

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information (continued)

(b) Non-current assets

	2020 *RMB'000*	2019 *RMB'000*
Mainland China	**2,047,963**	1,859,409
Hong Kong	**151,047**	152,322
	2,199,010	2,011,731

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

Information about a major customer

During the years ended March 31, 2020 and 2019, there was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

The Group is primarily engaged in pharmaceutical direct business, operation of pharmaceutical e-commerce platform and consumer healthcare services platform, provision of tracking and digital health related services and internet healthcare business in the PRC.

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

	2020 *RMB'000*	2019 *RMB'000*
Pharmaceutical direct business	**8,133,945**	4,226,950
Pharmaceutical e-commerce platform business	**1,170,333**	689,980
Consumer healthcare business	**214,287**	128,254
Tracking and digital health business	**39,491**	38,720
Internet healthcare business	**38,420**	11,963
	9,596,476	5,095,867

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(i) Disaggregated revenue information

	2020 *RMB'000*	2019 *RMB'000*
Type of goods or services:		
Sales of products	**7,656,912**	4,049,991
Provision of services	**1,939,564**	1,045,876
Total revenue from contracts with customers	**9,596,476**	5,095,867
Timing of revenue recognition:		
At a point in time	**8,992,831**	4,796,919
Over time	**603,645**	298,948
Total revenue from contracts with customers	**9,596,476**	5,095,867

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

Revenue recognised that was included in contract liabilities at the beginning of the reporting period:

	2020 *RMB'000*	2019 *RMB'000*
Sales of products	**1,708**	15,957
Provision of services	**123,458**	69,179
	125,166	85,136

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(ii) Performance obligations

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

Sales of products

The performance obligation is satisfied upon delivery of the healthcare products. For B2C pharmacy sales, payment is received from the payment platform, i.e. Alipay, when the receipt of goods is confirmed by customers or by the payment platform automatically at a pre-specified period of time after delivery. For B2B pharmacy sales, payment is generally due within 30 to 90 days except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return which gives rise to variable consideration subject to constraint.

Provision of services

The performance obligation is satisfied over time or at a point in time as services are rendered. Payment is generally received upon the completion of the underlying transactions, prior to the provision of services on a full prepayment basis, or due within 30 to 90 days except for new customers, where payment in advance is normally required.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at March 31, 2020 and 2019 are as follows:

	2020	2019
	RMB'000	*RMB'00*
Within one year	**366,441**	371,270
More than one year	**26,825**	26,825
	393,266	398,095

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

	2020 *RMB'000*	2019 *RMB'000*
Other income		
Bank interest income	**54,904**	23,573
Government grants#	**20,258**	2,400
Rental income from investment property operating leases	**8,399**	—
Management fee income	**7,700**	—
Dividend income	**1,874**	—
Other interest income *(note 22)*	**1,307**	1,483
Others	**3,243**	878
	97,685	28,334
Gains		
Gain on deemed partial disposal of associates *(note 19)*	**41,762**	—
Gain on disposal of an associate *(note 19)*	**21,791**	—
Gain on disposal of items of property and equipment	**31**	15
Fair value gains on financial assets at FVPL	**—**	17,659
Fair value gains on financial liabilities at FVPL	**—**	8,589
Gain on disposal of a joint venture *(note 18)*	**—**	12,417
	63,584	38,680
	161,269	67,014

Government grants mainly represented incentives received in certain regions in Mainland China in which the Company's subsidiaries operate.

6. FULFILMENT

Fulfilment primarily consists of those costs incurred in warehousing, shipping, operation and customer services, which are associated with the Group's B2C online pharmacy business of health related products.

7. FINANCE COSTS

Finance costs are interest on bank loans and other borrowings and lease liabilities of the Group.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

8. PROFIT/(LOSS) BEFORE TAX

	Notes	2020 RMB'000	2019 RMB'000
Cost of goods sold*		**6,325,330**	3,343,225
Cost of services provided* (excluding employee benefit expense and share-based compensation expenses)		**1,003,665**	408,409
Interest on bank loans**		**–**	833
Interest on other loans**		**21,879**	27,133
Depreciation of property and equipment	14	**5,830**	3,989
Depreciation of right-of-use assets	15	**27,295**	–
Depreciation of investment property	15	**7,087**	–
Amortisation of intangible assets	17	**1,477**	–
Minimum lease payments under operating leases for office buildings		**–**	18,425
Lease payments not included in the measurement of lease liabilities	15	**636**	–
(Reversal of impairment)/Impairment of trade receivables***	21	**(888)**	1,226
Reversal of impairment of other receivables***	22	**–**	(807)
Provision/(reversal of provision) of inventories*		**13,282**	(12,616)
Write-off of inventories***		**5,301**	1,090
Fair value losses/(gains) on financial assets at FVPL***		**22,003**	(26,248)
Auditor's remuneration		**2,220**	1,330
Employee benefit expense (including directors' and chief executive's remuneration)			
Wages and salaries		**289,629**	226,066
Bonuses		**94,233**	87,699
Pension scheme contributions#		**24,670**	23,420
Share-based compensation expenses	32	**277,139**	213,493
		685,671	550,678
Foreign exchange differences, net***		**6,752**	64

* 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" or "Other income and gains" in the consolidated statement of profit or loss.

As at March 31, 2020, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2019: Nil).

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Fees	**1,106**	1,106
Other emoluments:		
Salaries, allowances and benefits in kind	**3,032**	1,518
Performance related bonus	**770**	375
Share-based compensation expenses	**23,359**	18,135
Pension scheme contributions	**160**	142
	27,321	20,170
	28,427	21,276

During the year ended March 31, 2020, two directors (2019: two) of the Company were granted share options and RSUs, in respect of their services to the Group, under the share award scheme of the Company, further details of which are set out in note 32 to the financial statements. The fair values of such options and RSUs, which have been recognised in the consolidated statement of profit or loss over the vesting period, were determined as at the date of grant and the amounts included in the financial statements for the years ended March 31, 2019 and 2020 are included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2020 *RMB'000*	2019 *RMB'000*
Mr. Wong King On, Samuel	**565**	542
Mr. Yan Xuan[1]	**6**	271
Mr. Luo Tong	**306**	293
Ms. Huang Yi Fei[2]	**229**	—
	1,106	1,106

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors and non-executive directors

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonus *RMB'000*	Share-based compensation expenses *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2020						
Executive directors:						
Mr. Shen Difan[3]	–	1,500	–	10,425	70	11,995
Mr. Wang Qiang[4]	–	1,495	770	5,286	45	7,596
Mr. Zhu Shun Yan[5]	–	–	–	–	–	–
	–	2,995	770	15,711	115	19,591
Non-executive directors:						
Mr. Wu Yongming	–	–	–	–	–	–
Mr. Wang Lei[6]	–	37	–	7,648	45	7,730
Ms. Zhang Yu[7]	–	–	–	–	–	–
Mr. Xu Hong[8]	–	–	–	–	–	–
	–	37	–	7,648	45	7,730
	–	3,032	770	23,359	160	27,321

During the year ended March 31, 2020, there was no arrangement under which a director waived or agreed to waive any remuneration and no remuneration was paid by the Group to a director as an inducement to join or upon joining the Group or as compensation for the loss of office.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors and non-executive directors (continued)

	Fees	Salaries, allowances and benefits in kind	Performance related bonus	Share-based compensation expenses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2019						
Executive directors:						
Mr. Shen Difan[3]	–	33	–	6,834	29	6,896
Mr. Wang Qiang[4]	–	1,333	375	3,241	56	5,005
	–	1,366	375	10,075	85	11,901
Non-executive directors:						
Mr. Wu Yongming	–	–	–	–	–	–
Mr. Kang Kai[9]	–	–	–	–	–	–
Mr. Wang Lei[6]	–	152	–	8,060	57	8,269
Ms. Zhang Yu[7]	–	–	–	–	–	–
	–	152	–	8,060	57	8,269
	–	1,518	375	18,135	142	20,170

1 Resigned as an independent non-executive director on April 8, 2019.

2 Appointed as an independent non-executive director on June 9, 2019.

3 Appointed as executive director and the chief executive officer on March 29, 2018. Resigned as executive director and the chief executive officer on March 15, 2020.

4 Appointed as executive director on July 20, 2018.

5 Appointed as executive director and the chief executive officer on March 15, 2020.

6 Resigned as an executive director and the chief executive officer, and appointed as a non-executive director on March 29, 2018.

7 Appointed as non-executive director on December 29, 2017. Resigned as non-executive director on June 9, 2019.

8 Appointed as non-executive director on June 9, 2019.

9 Resigned as non-executive director on July 20, 2018.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2019: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2019: three) non-director, highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 *RMB'000*	2019 *RMB'000*
Salaries, allowances and benefits in kind	**4,900**	3,667
Performance related bonuses	**976**	1,409
Share-based compensation expenses	**11,159**	13,459
Pension scheme contributions	**93**	165
	17,128	18,700

During the year ended March 31, 2020, no arrangement was paid by the Group to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for the loss of office.

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
HK$4,500,001 to HK$5,500,000	**1**	—
HK$5,500,001 to HK$6,500,000	**1**	—
HK$6,500,001 to HK$7,500,000	**—**	1
HK$7,500,001 to HK$8,500,000	**—**	2
HK$8,500,001 to HK$9,000,000	**1**	—
	3	3

During the years ended March 31, 2020 and March 31, 2019, share options and RSUs were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 32 to the financial statements. The fair values of such options and RSUs, which have been recognised in the statement of profit or loss over the vesting period, were determined as at the date of grant and the amounts included in the financial statements for the current and prior years are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

11. INCOME TAX

	2020	2019
	RMB'000	*RMB'000*
Current — Hong Kong		
Charge for the year	**979**	560
Underprovision in prior years	**—**	199
Current — Mainland China		
Charge for the year	**32,397**	33,063
Overprovision in prior years	**(12,122)**	(6,883)
Deferred *(note 30)*	**3,536**	3,995
Total tax charge for the year	**24,790**	30,934

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong. During the year, provision of RMB979,000 for Hong Kong profits tax has been made for assessable profits arising in Hong Kong during the year (2019: RMB560,000).

In general, the PRC subsidiaries of the Company are subject to the PRC corporate income tax rate of 25% except for one PRC subsidiary which is entitled to a preferential tax rate of 15%, and one PRC subsidiary which is entitled to the preferential tax treatment under a two-year income tax exemption and then a three-year 50% tax reduction policy starting from 2018. An income tax reversal of RMB9,500,000 was recorded by one PRC subsidiary in this year after the approval of the preferential tax treatment for prior year taxable income was obtained.

No tax attributable to joint ventures was included in "Share of profits or losses of joint ventures" in the consolidated statement of profit or loss (2019: RMB4,389,000).

The share of tax (credit)/charges attributable to associates of approximately RMB(10,045,000) (2019: RMB11,877,000) is included in "Share of profits or losses of associates" in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

11. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the jurisdictions in which the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

2020

	Hong Kong		Mainland China		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Income/(loss) before tax	67,052		(57,958)		9,094	
Tax at the statutory tax rate	11,064	16.5	(14,490)	25.0	(3,426)	(37.7)
Effect of preferential tax treatment enacted by local authority	–	–	6,266	(10.8)	6,266	68.9
Income not subject to tax	(13,068)	(19.5)	(281)	0.5	(13,349)	(146.8)
Expenses not deductible for tax	1,498	2.2	(14,010)	24.2	(12,512)	(137.6)
Research and development super deduction	–	–	(4,873)	8.4	(4,873)	(53.6)
Overprovision of tax in prior years	–	–	(12,122)	20.9	(12,122)	(133.3)
Effect on changes in tax rates	–	–	1,752	(3.0)	1,752	19.3
Tax losses utilised from previous periods	–	–	(32,691)	56.4	(32,691)	(359.5)
Tax losses and deductible temporary differences not recognised	1,468	2.2	86,682	(149.6)	88,150	969.3
Withholding tax in PRC	7,595	11.3	–	–	7,595	83.5
Tax charge at the Group's effective rate	8,557	12.8	16,233	(28.0)	24,790	272.6

11. INCOME TAX (CONTINUED)

2019

	Hong Kong		Mainland China		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Income/(loss) before tax	108,857		(169,687)		(60,830)	
Tax at the statutory tax rate	17,961	16.5	(42,422)	25.0	(24,461)	40.2
Effect of lower tax rate enacted by local authority	—	—	2,240	(1.3)	2,240	(3.7)
Income not subject to tax	(10,099)	(9.3)	(2,609)	1.5	(12,708)	20.9
Expenses not deductible for tax	589	0.5	74,219	(43.7)	74,808	(123)
Research and development super deduction	—	—	(6,908)	4.1	(6,908)	11.4
Underprovision/(overprovision) of tax in prior years	199	0.2	(6,883)	4.1	(6,684)	11.0
Tax losses utilized from previous periods	—	—	(29,343)	17.3	(29,343)	48.2
Tax losses and deductible temporary differences not recognised	3,063	2.8	19,766	(11.6)	22,829	(37.5)
(Profits)/losses attributable to joint ventures and associates	(3,852)	(3.5)	10,107	(6.0)	6,255	(10.3)
Withholding tax in PRC	4,906	4.5	—	—	4,906	(8.1)
Tax charge at the Group's effective rate	12,767	11.7	18,167	(10.7)	30,934	(50.9)

12. 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 RMB6,586,000 (2019: RMB81,949,000), and the weighted average number of ordinary shares of 11,931,343,239 (2019: 11,054,967,978) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended March 31, 2020 and 2019 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.

13. DIVIDENDS

The Board does not recommend the payment of dividend for the year ended March 31, 2020 (For the year ended March 31, 2019: Nil).

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

14. PROPERTY AND EQUIPMENT

	Leasehold improvements *RMB'000*	Computer equipment, furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
March 31, 2020				
At March 31, 2019 and at April 1, 2019:				
Cost	11,559	64,970	307	76,836
Accumulated depreciation and impairment	(7,589)	(60,162)	(199)	(67,950)
Net carrying amount	3,970	4,808	108	8,886
At April 1, 2019, net of accumulated depreciation and impairment	3,970	4,808	108	8,886
Additions	1,622	5,945	–	7,567
Business acquisition *(note 34)*	1,742	716	–	2,458
Disposals	(31)	(51)	(–)	(82)
Depreciation provided during the year *(note 8)*	(1,842)	(3,927)	(61)	(5,830)
At March 31, 2020, net of accumulated depreciation and impairment	5,461	7,491	47	12,999
At March 31, 2020:				
Cost	15,056	74,810	307	90,173
Accumulated depreciation and impairment	(9,595)	(67,319)	(260)	(77,174)
Net carrying amount	5,461	7,491	47	12,999

14. PROPERTY AND EQUIPMENT (CONTINUED)

	Leasehold improvements *RMB'000*	Computer equipment, furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
March 31, 2019				
At March 31, 2018 and at April 1, 2018:				
Cost	9,478	60,599	406	70,483
Accumulated depreciation and impairment	(6,042)	(57,971)	(196)	(64,209)
Net carrying amount	3,436	2,628	210	6,274
At April 1, 2018, net of accumulated depreciation and impairment	3,436	2,628	210	6,274
Additions	1,713	4,389	–	6,102
Business acquisition *(note 34)*	368	159	–	527
Disposals	–	(1)	(32)	(33)
Depreciation provided during the year *(note 8)*	(1,547)	(2,372)	(70)	(3,989)
Exchange realignment	–	5	–	5
At March 31, 2019, net of accumulated depreciation and impairment	3,970	4,808	108	8,886
At March 31, 2019:				
Cost	11,559	64,970	307	76,836
Accumulated depreciation and impairment	(7,589)	(60,162)	(199)	(67,950)
Net carrying amount	3,970	4,808	108	8,886

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

15. LEASES

The Group as a lessee

The Group leases certain of its offices and retail outlets under operating lease arrangements, which are negotiated for terms ranging from six months to ten years.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Buildings	**Investment property**
	RMB'000	*RMB'000*
As at April 1, 2019	73,087	—
Additions	31,227	—
Transfer	(17,686)	17,686
Depreciation charge	(27,295)	(7,087)
As at March 31, 2020	59,333	10,599

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Lease liabilities
	RMB'000
Carrying amount at April 1, 2019	68,301
New leases	31,227
Accretion of interest recognised during the year	3,133
Payments	(32,906)
Carrying amount as at March 31, 2020	69,755
Analysed into:	
Current portion	32,030
Non-current portion	37,725

The maturity analysis of lease liabilities is disclosed in note 40 to the financial statements.

15. LEASES (CONTINUED)

The Group as a lessee (continued)

(c) ***The amounts recognised in profit or loss in relation to leases are as follows:***

	2020 *RMB'000*
Interest on lease liabilities	3,133
Depreciation charge of right-of-use assets	27,295
Depreciation charge of investment property	7,087
Expense relating to short-term leases and other leases with remaining lease terms ended on or before March 31,2020	636
Total amount recognised in profit or loss	38,151

(d) The total cash outflow for leases is disclosed in note 35 to the financial statements.

(e) The Group has no termination options expected to be exercised.

The Group as a lessor

The Group leases its investment properties under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB8,399,000 (2019: Nil), details of which are included in note 5 to the financial statements.

At March 31, 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 *RMB'000*	2019 *RMB'000*
Within one year	7,320	–

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

16. GOODWILL

	RMB'000
Cost and net carrying amount at March 31, 2019 and Apr 1, 2019	27,006
Acquisition of retail business *(note 34(A))*	27,570
Cost and net carrying amount at March 31, 2020	54,576

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following CGUs for impairment testing:

- B2C and related business in PRC; and
- B2B business in PRC.

B2C and related business in PRC

The recoverable amount of this CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period. The discount rate applied to the cash flow projections is 15.4%. The growth rate used to extrapolate the cash flows beyond the five-year period is 3%, which approximates the long term average growth rate of the retailing industry of healthcare products in the PRC.

B2B business in PRC

The recoverable amount of this CGU was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period. The discount rate applied to the cash flow projections is 20% and cash flows beyond the five-year period were extrapolated using a growth rate of 3%, which approximates the long term average growth rate of the healthcare products centralised procurement and distribution industry.

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	B2C and related business in PRC CGU		B2B business in PRC CGU		Total	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Carrying amount of goodwill	**49,060**	21,490	**5,516**	5,516	**54,576**	27,006

16. GOODWILL (CONTINUED)

Assumptions were used in the value in use calculation of the B2C and related business in PRC CGU and B2B business in PRC CGU. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

Growth rates — The growth rates used to extrapolate the cash flows beyond the five-year period are based on the estimated growth rate of each unit taking into account the industry growth rate, past experience and the medium or long term growth target of each CGU.

17. OTHER INTANGIBLE ASSETS

	Patents and licences
	RMB'000
Cost at March 31, 2019 and April 1, 2019, net of accumulated amortisation	—
Additions	5,944
Amortisation provided during the year *(note 8)*	(1,477)
At March 31, 2020	4,467
At March 31, 2020:	
Cost	5,944
Accumulated amortisation	(1,477)
Net carrying amount	4,467

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

18. INVESTMENTS IN JOINT VENTURES

	2020 RMB'000	2019 RMB'000
Share of net assets	**111,247**	10,985

Particulars of the Group's joint ventures are as follows:

Name	Particulars of capital held	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
浙江扁鵲健康數據技術有限公司 (Zhejiang Bian Que Health Data Technology Company Limited[@])* ("Zhejiang Bian Que") *(note i)*	Registered capital of RMB1 each	PRC/Mainland China	45	45	45	Health related data services
江蘇紫金弘雲健康產業投資合夥企業 (有限合夥) (Jiangsu Zijin Hongyun Health industry investment Partnership (Limited Partnership)[@])*^ ("Jiangsu Zijin") *(note ii)*	Registered capital of RMB1 each	PRC/Mainland China	13.724	13.724	13.724	Investment management

@ For identification purposes only

* The statutory financial statements were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

Note i: On March 30, 2018, Hongyun Jiukang, a subsidiary of the Group, established a limited liability company, Zhejiang Bian Que. As at the date of establishment, the registered capital of Zhejiang Bian Que was fully subscribed for by Hongyun Jiukang, and Zhe jiang Bian Que became a wholly-owned subsidiary of Hongyun Jiukang. As of March 31, 2020, Hongyun Jiukang contributed RMB27,000,000 to Zhejiang Bian Que.

On June 1, 2018, Hongyun Jiukang, Shanghai Yunxin Venture Capital Co., Ltd. (上海雲鑫創業投資有限公司) ("Shanghai Yunxin"), Hangzhou Yunting Data Technology Company Limited (杭州雲庭數據科技有限公司) ("Hangzhou Yunting") and Zhejiang Bian Que entered into a capital increase agreement, pursuant to which Shanghai Yunxin and Hangzhou Yunting agreed to make respective capital contributions of RMB40,000,000 and RMB15,000,000 in cash to the registered capital of Zhejiang Bian Que.

Consequently, the registered share capital of Zhejiang Bian Que was increased from RMB45,000,000 to RMB100,000,000, which was held as to 45% by Hongyun Jiukang, 40% by Shanghai Yunxin and 15% by Hangzhou Yunting, respectively.

18. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Note ii: On March 29, 2019, Hangzhou Hongyun Kangsheng Equity investment Co., Ltd. (杭州弘雲康晟股權投資有限公司有限公司) ("Hangzhou Hongyun"), a subsidiary of the Company, entered into a partnership agreement with Huatai Zijin investment Co.,Ltd (華泰紫金投資有限公司) ("Huatai Zijin"), both of which acted as general partners, and other sixteen limited partners, pursuant to which, Hangzhou Hongyun shall inject RMB199,000,000 and the other partners shall inject RMB1,251,000,000 in cash to establish Jiangsu Zijin.

A cash consideration of RMB99,500,000 was paid by Hangzhou Hongyun during the year ended March 31, 2020.

Zhejiang Bian Que and Jiangsu Zijin have a financial year ending December 31, and their financial statements may not be available in timely manner for the Group to apply the equity method, the Group therefore elects to record its shares of the profits or losses of Zhejiang Bian Que and Jiangsu Zijin on a quarter lag basis.

Note iii: On August 3, 2018, Alibaba Health (Hong Kong), a subsidiary of the Company, entered into the equity transfer agreements with CITIC Guoan Information Industry Co., Ltd. (中信國安信息產業股份有限公司) ("CITIC Guo An") and Hongxin Chuangxin (Tianjin) Information Technology Partnership Enterprise (Limited Partnership) (鴻信創新(天津)信息技術合夥企業(有限合夥) ("Hong Xin"), pursuant to which 24% and 25% equity interests in Beijing Honglian 95 Information Industries Company Limited (北京鴻聯九五信息產業有限公司) ("HL95") held by Alibaba Health (Hong Kong) would be transferred to the other two counterparties, respectively, for a total cash consideration of approximately RMB65,988,000. The transaction was completed on November 12, 2018. Further details of the transaction were set out in the announcement of the Company dated August 3, 2018.

Note iv: In February, 2019, Yunnan Jiukang Yixin Information Technology Service Company Limited (雲南久康一心信息技術服務有限公司) ("Jiukang Yixin") became a subsidiary of the Group after the acquisition of additional 40% equity interests in Jiukang Yixin. Please refer to note 34(A) for details of the acquisition transaction.

The above joint ventures are indirectly held by the Company.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2020 ***RMB'000***	2019 *RMB'000*
Share of the joint ventures' (loss)/gain and total comprehensive (loss)/gain for the year	**(12,737)**	737
Aggregate carrying amount of the Group's investments in the joint ventures	**111,247**	10,985

19. INVESTMENTS IN ASSOCIATES

	2020 ***RMB'000***	2019 *RMB'000*
Share of net assets	**698,515**	780,530
Goodwill on acquisition	**1,247,274**	1,184,324
Total	**1,945,789**	1,964,854

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

Particulars of the Group's associates are as follows:

Name	Particulars of capital held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
東方口岸科技有限公司 (Dongfang Customs Technology Company Limited@)* ("Dongfang Customs")	Registered capital of RMB1 each	PRC/Mainland China	30	Operation of platforms for electronic customs processing
萬里雲醫療信息科技 (北京) 有限公司 (Wanliyun Medical Information Technology (Beijing) Co., Ltd.@)*# ("Wanliyun") *(note i)*	Registered capital of RMB1 each	PRC/Mainland China	23.28	Construction of medical platforms and provision of related services
A Company engaging in the medical business @*^# ("Company A")	Registered capital of RMB1 each	PRC/Mainland China	10	Provision of medical self-service equipment and smart healthcare solutions
嘉和美康(北京)科技股份有限公司 (Jiahe Meikang (Beijing) Technology Co., Ltd.@)*^# ("Jiahe Meikang") *(note ii)*	Registered capital of RMB1 each	PRC/Mainland China	14.55	Provision of clinical information software products, infant medical equipment and mobile internet digitalised medical information software system
江蘇曼荼羅軟件股份有限公司 (Jiangsu Mandalat Software Company Limited@)*^# ("Mandalat")	Registered capital of RMB1 each	PRC/Mainland China	12	Provision of software development
安徽華人健康醫藥股份有限公司 (Anhui Huaren Health Pharmaceutical Co., Ltd.@)*^# ("Anhui Huaren") *(note iii)*	Registered capital of RMB1 each	PRC/Mainland China	9.245	Pharmaceutical retail chain business
貴州一樹連鎖藥業有限公司 (Guizhou Ensure Chain Pharmacy Company Limited@)*# ("Guizhou Ensure") *(note iv)*	Registered capital of RMB1 each	PRC/Mainland China	25	Pharmaceutical retail chain business
甘肅德生堂醫藥科技集團有限公司 (Gansu Deshengtang Pharmaceutical Technology Co., Ltd@)*^# ("Gansu Deshengtang") *(note v)*	Registered capital of RMB1 each	PRC/Mainland China	5	Pharmaceutical retail chain business

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

@ For identification purposes only

* The statutory financial statements of the above associates were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

^ The investments in these companies are accounted for as associates of the Group because the Group is in a position to exercise significant influence. The Group has at least one director at each board of directors and/or has veto rights regarding certain significant financial and operating decisions in board meetings and/or shareholders' meetings of these associates.

The associates have a financial year ending December 31 and the financial statements of these associates may not be available in timely manner for the Group to apply the equity method, the Group therefore elects to record its shares of the profits or losses of these associates on a quarter lag basis. Accordingly, the Group elects to pick up financial statements of these associates using their annual financial statements for the year ended December 31, 2019 for the current year (2018: year ended December 31, 2018).

The above investments are indirectly held by the Company.

Note i: On September 4, 2019, Wanliyun entered into a capital injection agreement with certain new investors, pursuant to which the new investors shall inject RMB100,000,000 in cash to Wanliyun.

Upon completion of the transactions on December 3, 2019, the equity interest of Wanliyun held by Alibaba Health Technology (China) Co., Ltd. was diluted to 23.28%.

Note ii: On March 29, 2019, Hongyun Jiukang entered into an equity transfer agreement with a wholly-owned subsidiary of Jiahe Meikang, which is an associate of Hongyun Jiukang, pursuant to which 45% equity interests in Beijing Jiamei Online Technology Co., Ltd. (北京嘉美在線科技有限公司) ("Jiamei Online") held by Hongyun Jiukang would be transferred to the wholly-owned subsidiary of Jiahe Meikang, for a total cash consideration of approximately RMB53,042,000. The transaction was completed on August 16, 2019.

On June 25, 2019, Jiahe Meikang entered into a capital injection agreement with certain new investors, pursuant to which the new investors shall inject RMB92,784,000 in cash to Jiahe Meikang. Upon completion of the transactions on June 28, 2019, the equity interest in Jiahe Meikang held by Hongyun Jiukang was diluted to 14.55%.

Note iii: On May 17, 2018, Alibaba Health (China), a wholly-owned subsidiary of the Group, entered into a capital injection agreement and a shareholders' agreement with Anhui Huaren, a company established in the PRC with limited liability, and original shareholders of Anhui Huaren, pursuant to which Alibaba Health (China) shall inject RMB133,333,000 in cash to Anhui Huaren, of which RMB11,111,000 would be contributed to the Anhui Huaren's registered capital, and RMB122,222,000 would be contributed to its capital reserve.

Upon completion of the acquisition on May 31, 2018, Anhui Huaren was held as to 90% by the original Shareholders and 10% by Alibaba Health (China).

The cash consideration of RMB133,333,000 was fully paid during the year ended March 31, 2019.

On October 10, 2019, Anhui Huaren entered into a capital injection agreement with a new investor, pursuant to which the new investor shall inject RMB23,762,000 in cash to Anhui Huaren. Upon completion of the transaction on December 25, 2019. The equity interest in Anhui Huaren held by Alibaba Health (China) was diluted to 9.245%.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

Note iv: On August 17, 2018, Alibaba Health (China) entered into a capital injection agreement with Guizhou Ensure, a company established in the PRC with limited liability, pursuant to which Alibaba Health (China) shall inject approximately RMB404,322,000 in cash to Guizhou Ensure, of which approximately RMB2,528,000 would be contributed to Guizhou Ensure's registered capital, and approximately RMB401,794,000 would be contributed to its capital reserve.

At the same day, Alibaba Health (China) entered into a share purchase agreement with certain original shareholders of Guizhou Ensure to purchase certain equity interests in Guizhou Ensure from these shareholders at a total cash consideration of approximately RMB421,758,000.

Upon completion of the transactions on September 29, 2018, Guizhou Ensure was held as to 75% by the original shareholders and 25% by Alibaba Health (China).

The cash consideration of RMB765,076,000 was paid during the year ended March 31, 2019 and the remaining consideration of RMB61,004,000 was included in other payables and accruals as at March 31, 2019 and 2020.

Note v: On December 24, 2018, Alibaba Health (China) entered into a capital injection agreement with Gansu Deshengtang, a company established in the PRC with limited liability, pursuant to which Alibaba Health (China) shall inject RMB188,888,000 in cash to Gansu Deshengtang, of which approximately RMB12,346,000 would be contributed to Gansu Deshengtang's registered capital.

A cash consideration of RMB94,444,000 was paid on January 28, 2019. As at March 31, 2019, Gansu Deshengtang was held as to 94.74% by the original shareholders and 5.26% by Alibaba Health (China).

On March 2, 2020, the remaining consideration of RMB94,444,000 was paid by Jiangsu Zijin. Upon completion of the cash injection, Gansu Deshengtang was held as to 90% by the original shareholders and 5% by Alibaba Health (China) and 5% by Jiangsu Zijin.

If the initial accounting for an investment in an associate was incomplete by the end of last reporting period, the acquirer shall during the measurement period recognise adjustments to the provisional amounts as if the accounting had been completed at the acquisition date.

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table illustrates the summarised financial information in respect of Guizhou Ensure adjusted for any differences in accounting policies and reconciled to the carrying amount in the latest annual consolidated financial statements for the year from January 1, 2019 to December 31, 2019 and the period from September 29, 2018 to December 31, 2018:

	2019	2018
	RMB'000	*RMB'000*
Cash and cash equivalents	**244,715**	420,143
Other current assets	**1,372,350**	1,020,982
Current assets	**1,617,065**	1,441,125
Non-current assets	**1,112,198**	837,429
Current liabilities	**(1,504,200)**	(1,076,006)
Non-current liabilities	**(560,800)**	(183,230)
Net assets	**664,263**	1,019,318
Non-controlling interests	**(7,311)**	(23,538)
Net assets attributable to shareholders of Guizhou Ensure	**656,952**	995,780
Reconciliation to the Group's investment in the associate:		
Proportion of the Group's ownership	**25%**	25%
Group's share of net assets of the associate	**164,238**	248,945
Goodwill on acquisition	**592,053**	517,848
Carrying amount of the investment	**756,291**	766,793

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

	For the year from January 1, 2019 to December 31, 2019	For the period from September 29, 2018 to December 31, 2018
	RMB'000	*RMB'000*
Revenue	**2,254,220**	669,014
Depreciation and amortisation	**(24,279)**	(10,682)
Interest income	**7,002**	1,628
Tax	**28,692**	(15,457)
Loss and total comprehensive loss for the year	**(42,012)**	(72,624)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2020	2019
	RMB'000	*RMB'000*
Share of the associates' (loss)/profit for the year and total comprehensive (loss)/income for the year	**(10,792)**	17,249
Share of the associates' capital reserve	**–**	3,946
	(10,792)	21,195
Aggregate carrying amount of the Group's investments in the associates	**1,189,498**	1,198,061

20. INVENTORIES

	2020	2019
	RMB'000	*RMB'000*
Trading stock	**1,232,404**	597,657
Impairment	**(15,146)**	(1,864)
	1,217,258	595,793

During the year ended March 31, 2020, the write-off of the Group's inventories of approximately RMB5,301,000 (2019: RMB1,090,000) was due to scrap and imperfection. During the year ended March 31, 2019, the reversal of provision of the Group's inventories of approximately RMB12,616,000 was due to the sale of trading stock.

21. TRADE AND BILLS RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**319,278**	213,467
Bills receivable	**32,171**	179,775
	351,449	393,242
Impairment	**(26,908)**	(27,796)
	324,541	365,446

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.

Included in the Group's trade and bills receivables are amounts due from subsidiaries of Alibaba Group of approximately RMB80,178,000 (2019: RMB10,735,000) and the Group's associates of approximately RMB24,394,000 (2019: RMB25,331,000), which are repayable on credit terms similar to those offered to major customers of the Group.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

21. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	2020 *RMB'000*	2019 *RMB'000*
Within 3 months	**266,972**	179,668
3 to 12 months	**25,398**	5,867
Over 12 months	**–**	136
	292,370	185,671

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

	2020 *RMB'000*	2019 *RMB'000*
At April 1	**27,796**	26,570
(Reversal of impairment)/impairment losses recognised *(note 8)*	**(888)**	1,226
At March 31	**26,908**	27,796

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

21. TRADE AND BILLS RECEIVABLES (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at March 31, 2020

	Less than 6 months	7 to 12 months	Ageing 13 to 24 months	Over 24 months	Total
Expected credit loss rate	**0.12%**	**0.00%**	**0.00%**	**100.00%**	**8.43%**
Gross carrying amount (RMB'000)	**289,423**	**3,285**	**–**	**26,570**	**319,278**
ECLs (RMB'000)	**338**	**–**	**–**	**26,570**	**26,908**

As at March 31, 2019

	Less than 6 months	7 to 12 months	Ageing 13 to 24 months	Over 24 months	Total
Expected credit loss rate	0.39%	17.89%	89.6%	100.00%	13.00%
Gross carrying amount (RMB'000)	183,949	2,812	1,303	25,403	213,467
ECLs (RMB'000)	723	503	1,167	25,403	27,796

Bills receivable, debt investments at fair value through other comprehensive income, are subject to impairment using the low credit risk simplification under the general approach. At each reporting date, the Group evaluates whether the bills receivable are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the credit ratings of the debt investments. The Group did not recognise any impairment loss on bills receivable as at March 31, 2020.

21. TRADE AND BILLS RECEIVABLES (CONTINUED)

Transferred financial assets that are not derecognised in their entirety

At March 31, 2019, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of approximately RMB48,845,000 to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group had retained the substantial risks and rewards, which included default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB48,845,000 as at March 31, 2020.

The Group had no such endorsement at March 31, 2020.

Transferred financial assets that are derecognised in their entirety

At March 31, 2020, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of approximately RMB4,055,000 (2019: RMB86,135,000). The Derecognised Bills had a maturity of one to eight months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended March 31, 2020, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement was made evenly throughout the year.

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020	2019
	RMB'000	*RMB'000*
Current:		
Prepayments	**148,867**	150,000
Other receivables and other assets	**266,481**	175,208
	415,348	325,208
Impairment	**(1,856)**	(1,856)
	413,492	323,352
Non-current:		
Long-term receivables *(note i)*	**21,732**	39,372
	435,224	362,724

Note i: Long-term receivables as at March 31, 2020 and March 31, 2019 mainly consist of non-current portion of a loan to a shareholder of HL95. The loan is secured by a pledge of 25% of HL95's equity and bore interest at a rate of 3% per annum. The loan was due in August, 2020 and 2021. For this loan, an interest income of RMB1,307,000 was earned by the Group during the year ended March 31, 2020 (2019: RMB873,000).

The movements in provision for impairment of other receivables during the year are as follows:

	2020	2019
	RMB'000	*RMB'000*
At April 1, 2019	**1,856**	2,663
Impairment losses reversed *(note 8)*	**–**	(807)
At March 31, 2020	**1,856**	1,856

The individually impaired other receivables of RMB1,856,000 (2019: RMB1,856,000) relate to debtors that were in default and the outstanding receivables are not expected to be recovered.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

23. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2020	2019
	RMB'000	*RMB'000*
Cash and bank balances	**2,033,262**	162,626
Restricted cash	**60,239**	1,719
Time deposits with original maturity of three months or less when acquired and cash equivalents placed at payment platform	**561,719**	117,745
Total	**2,655,220**	282,090
Less:		
Restricted cash	**(60,239)**	(1,719)
Cash and cash equivalents	**2,594,981**	280,371

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB placed in the PRC amounted to approximately RMB1,854,746,000 (2019: RMB177,782,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one month and two years depending on the immediate cash requirements of the Group, and earn interest at the respective term deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The cash equivalents placed in payment platform, including those in restricted cash, amounting to RMB123,071,000 (2019: RMB72,403,000) represents cash and restricted cash placed in Alipay.com Co., Ltd. (支付寶(中國)網絡技術有限公司) ("Alipay"), a subsidiary of Ant Small and Micro Financial Services Group Co., Ltd. (浙江螞蟻小微金融服務集團股份有限公司) ("Ant Financial"), which earns interest at floating rates.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 *RMB'000*	2019 *RMB'000*
Financial asset at FVPL		
Non-current:		
Put option *(note i)*	**–**	1,280
Call option *(note ii)*	**–**	40,587
Put option *(note iii)*	**6,888**	7,961
Unlisted equity investment *(note iv)*	**455,890**	457,759
	462,778	507,587
Current:		
Other unlisted investments *(note v)*	**402,485**	1,736,713
	402,485	1,736,713

Note i: In connection with the capital injection in a company engaging in the medical business, an associate of the Group mentioned in note 19, Alibaba Health (China), a subsidiary of the Company and a shareholder of the associate, is entitled to withdraw a portion of its investment cost of RMB133,333,300 (representing a 10% ownership interest) in the associate at a minimum return of 10% interest per annum if the associate failed to achieve certain pre-determined operating targets in each of the three years ending December 31, 2019.

Upon initial recognition, the Group's put option was classified as financial asset measured at fair value through profit or loss.

As at March 31, 2020, the fair value of this option was nil as the exercise probability was assessed as remote.

The fair value of put option was estimated as at the date of grant and each financial reporting period end, using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used as at March 31, 2019:

	March 31, 2019
Expected volatility (%)	45
Expected dividend yield (%)	0.00
Exercise probability (%)	1
Risk-free interest rate (%)	2.438

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 FINANCIAL STATEMENTS

March 31, 2020

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Note ii: In connection with the capital injection in Guizhou Ensure, an associate of the Group mentioned in note 19, Alibaba Health (China), a subsidiary of the Company and a shareholder of the associate, is entitled to acquire additional 26% equity interest in Guizhou Ensure at a consideration no more than the post-money valuation of current-round financing if the business targets which are stated in the share purchase agreement are not completed.

Upon initial recognition, the Group's call option was classified as financial asset measured at fair value through profit or loss.

As at March 31, 2020, the fair value of this option was nil as the exercise probability was assessed as remote.

The fair value of call option was estimated as at the date of grant and each financial reporting period end, using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used as at March 31, 2019:

	March 31, 2019
Expected volatility (%)	46
Expected dividend (%)	0.00
Exercise probability (%)	25
Risk-free interest rate (%)	2.438

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

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Note iii: In connection with the capital injection in a company in respective of medical business, an associate of the Group, as further explained in note 19 to the financial statements, Alibaba Health (China), a subsidiary of the Company and a shareholder of the associate, is entitled to withdraw a portion of its investment cost of RMB94,444,000 (representing a 5% ownership interest) in the associate at a minimum return of 10% interest per annum if the associate failed to achieve certain pre-determined operating targets in each of the three years ending December 31, 2020.

Upon initial recognition, the Group's put option was classified as financial asset measured at fair value through profit or loss.

The fair value of put option was estimated as at the date of grant and each financial reporting period end, using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	March 31, 2020	March 31, 2019
Expected volatility (%)	**40**	50
Expected dividend (%)	**0.00**	0.00
Exercise probability (%)	**30**	30
Risk-free interest rate (%)	**2.01**	2.792

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

Note iv: Unlisted equity interest represents the 9.34% equity interest in ShuYu Civilian Pharmacy Corp. Ltd.* (漱玉平民大藥房連鎖股份有限公司) ("ShuYu Civilian"), a joint stock company established in the PRC with limited liability in pharmaceutical retail chain business. On June 25, 2018, Alibaba Health (China) entered into the capital increase agreement with the ShuYu Civilian at a total consideration of RMB454,400,000, upon completion of which the Group shall held as to 9.34% equity interest of ShuYu Civilian. The Group does not have board position or veto rights in the board meeting or shareholders' meeting, the Group does not have significant influence in the investee. The above equity investment was classified as financial asset at FVPL as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

The fair value of unlisted equity investment was estimated as at the date of acquisition and each financial reporting period end, using a guideline company method and the key assumptions applied in the calculation are the comparable companies, relevant multiplies 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, the independent valuer has applied option price model to estimate the DLOM.

Note v: Other unlisted investments at March 31, 2019 and 2020 were wealth management products issued by banks in the PRC. They were mandatory classified as financial assets at FVPL as their contractual cash flows are not SPPI.

25. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 *RMB'000*	2019 *RMB'000*
Equity investment designated at FVOCI		
Unlisted equity investment, at fair value:		
IK Healthcare Holdings Limited ("IK Healthcare")	**173,456**	119,801

The above equity investment was irrevocably designated at FVOCI as the Group considers this investment to be strategic in nature.

On March 18, 2019, Ali JK Medical Products Limited, a wholly owned subsidiary of the Company, entered into a subscription agreement with IK Healthcare (the "Target Company"), pursuant to which the Ali JK Medical Products Limited shall subscribe for 433,082 new shares, representing no less than 1% equity interest in the Target Company at a total subscription price of US$17,842,978.40 (approximately to RMB119,801,000). The Target Company is a parent of iKang Healthcare Group, Inc., which is a provider of healthcare preventive service through self-owned medical centres and third-party facilities. The transaction was completed on March 29, 2019 and the total consideration of US$17,842,978.40 was fully paid thereof. This transaction also constitutes a connected transaction. For details of the transaction, please refer to announcement of the Company dated March 18, 2019.

The fair value of unlisted equity investment was estimated as at the date of acquisition and each financial reporting period end, using a guideline company method and the key assumptions applied in the calculation are the comparable companies, relevant multiples and DLOM. Comparable companies are actively traded in stock market and the multiples are publicly available. Also, to adjust the fair value difference between a publicly traded company and a private company, an independent valuer has applied option price model to estimate the DLOM.

26. TRADE AND BILLS PAYABLES

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

	2020 *RMB'000*	2019 *RMB'000*
Within 3 months	**973,060**	715,779
3 to 12 months	**683,915**	186,182
Over 12 months	**208,551**	690
	1,865,526	902,651

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

Included in the Group's trade payables are amounts due to subsidiaries of Alibaba Group of approximately RMB950,468,000 (2019: RMB405,955,000), which are repayable on credit terms similar to those offered by the related companies to their major customers.

27. OTHER PAYABLES AND ACCRUALS

	2020 *RMB'000*	2019 *RMB'000*
Other payables	**453,605**	407,124
Accruals	**59,645**	56,518
	513,250	463,642

Other payables are non-interest-bearing and have an average term of three months.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

28. INTEREST-BEARING BORROWINGS

	March 31, 2020			March 31, 2019		
	Effective interest rate (%)	***Maturity***	***RMB'000***	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Other loans — unsecured	**–**	**–**	**–**	2.84–4.39	on demand	1,700,000

Note: Zhejiang Tmall Technology Co., Ltd. (浙江天貓技術有限公司) provided loans of RMB2,000,000,000 to the Group during the year ended March 31, 2019, of which RMB1,700,000,000 was not repaid as at March 31, 2019. Interest expense of approximately RMB27,196,000 was accrued and an amount of RMB17,342,000 was unpaid and recorded in other payables and accruals as at March 31, 2019.

The loan principal of RMB1,700,000,000 and interest expense of approximately RMB39,208,000 were repaid by the Group during the year ended March 31, 2020.

29. CONTRACT LIABILITIES

Details of contract liabilities as at March 31, 2020 and March 31, 2019 are as follows:

	March 31, 2020	March 31, 2019
	RMB'000	*RMB'000*
Pharmaceutical direct business	**43,291**	37,444
Tracking and digital health business	**66,696**	55,938
Consumer healthcare business	**57,819**	57,683
Internet healthcare business	**3,474**	926
	171,280	151,991

Contract liabilities include short-term advances received for delivery of tracking and advertising related services. The increase in contract liabilities as at March 31, 2019 and 2020 was mainly due to the incentive policy of early collection and increasing scale of services.

30. DEFERRED TAX

	Deferred tax liabilities			
	Fair value adjustment of equity investments at FVOCI	**Fair value adjustment of equity investments at FVPL**	**Distributable profits of the Group's PRC associates**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At April 1, 2018	–	–	7,682	7,682
Deferred tax charged to the statement of profit or loss *(note 11)*	–	840	3,155	3,995
Gross deferred tax liabilities at March 31, 2019 and April 1, 2019	–	840	10,837	11,677
Deferred tax charged to the statement of profit or loss *(note 11)*	–	(475)	4,011	3,536
Deferred tax charged to other comprehensive income	4,616	–	–	4,616
Gross deferred tax liabilities at March 31, 2020	4,616	365	14,848	19,829

Deferred tax assets have not been recognised in respect of the following items:

	2020	2019
	RMB'000	*RMB'000*
Tax losses	**641,862**	250,446
Deductible temporary differences	**133,520**	31,125
	775,382	281,571

The Group has tax losses arising in Hong Kong of approximately RMB8,826,000 (2019: RMB0) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of RMB633,036,000 (2019: RMB250,446,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses and other deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

30. DEFERRED TAX (CONTINUED)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from January 1, 2008 and applies to earnings after March 31, 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries, joint venture and associates established in Mainland China in respect of earnings generated from January 1, 2008.

At March 31, 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB112,197,000 at March 31, 2020 (2019: RMB44,942,000). At March 31, 2020, there were unremitted earnings shared by the Group of approximately RMB89,954,000 (2019: RMB111,127,000) from the Group's associates established in Mainland China in respect of earnings generated from January 1, 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

31. SHARE CAPITAL

Shares

	2020 *RMB'000*	2019 *RMB'000*
12,074,135,224 (2019: 11,710,892,714) ordinary shares of HK$0.01 each	**106,108**	102,898

31. SHARE CAPITAL (CONTINUED)

Shares (Continued)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital	Share premium	Treasury shares	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At March 31 and April 1, 2018	9,842,737,787	86,617	7,255,519	(5,474)	7,336,662
Issue of shares for acquisition under common control *(note a)*	1,827,586,207	15,932	12,554,598	–	12,570,530
Issue of shares for RSUs to be vested in subsequent periods *(note b)*	28,299,220	245	–	(245)	–
Repurchase of shares *(note c)*	–	–	–	(37,846)	(37,846)
Vested awarded shares transferred to employees *(note d)*	–	–	73,474	18,513	91,987
Share options exercised *(note e)*	12,269,500	104	83,252	–	83,356
At March 31, 2019	11,710,892,714	102,898	19,966,843	(25,052)	20,044,689
At March 31 and April 1, 2019	**11,710,892,714**	**102,898**	**19,966,843**	**(25,052)**	**20,044,689**
Issue of shares for RSUs to be vested in subsequent periods *(note b)*	**34,933,810**	**315**	**–**	**(315)**	**–**
Repurchase of shares *(note c)*	**–**	**–**	**–**	**(17,814)**	**(17,814)**
Vested awarded shares transferred to employees *(note d)*	**–**	**–**	**215,335**	**30,142**	**245,477**
Share options exercised *(note e)*	**25,332,700**	**228**	**164,641**	**–**	**164,869**
Issue of shares *(note f)*	**302,976,000**	**2,667**	**1,997,913**	**–**	**2,000,580**
At March 31, 2020	**12,074,135,224**	**106,108**	**22,344,732**	**(13,039)**	**22,437,801**

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

31. SHARE CAPITAL (CONTINUED)

Shares (continued)

Notes:

a. On August 2, 2018, 1,827,586,207 shares of HK$0.01 each were issued to a related company. Please refer to note 34(B) for further information.

b. In September 2019, December 2019 and February 2020, 34,933,810 shares of HK$0.01 each were issued for restricted share units to be vested for non-connected persons. (In September 2018, January 2019 and March 2019, 28,299,220 shares of HK$0.01 each were issued for restricted share units to be vested for non-connected persons.)

c. In May 2019, June 2019, July 2019 and March 2020, 2,413,200 shares of HK$0.01 each were repurchased for restricted share units to be vested for connected persons at a total cash consideration of RMB17,814,000. (In July 2018, August 2018, September 2018, October 2018 and December 2018, 6,366,900 shares of HK$0.01 each were repurchased for restricted share units to be vested for connected persons at a total cash consideration of RMB37,846,000.)

d. Upon vesting of restricted share units for the year ended March 31, 2020, 53,613,000 issued shares were transferred to non-connected persons and 3,981,000 repurchased shares were transferred to connected persons, respectively. (Upon vesting of restricted share units for the year ended March 31, 2019, 19,705,000 issued shares were transferred to non-connected persons and 3,473,000 repurchased shares were transferred to connected persons, respectively.)

e. Certain employees exercised share options from April 2019 to March 2020. The total number of options exercised was 25,332,700. Certain employees exercised share options from May 2018 to March 2019. The total number of options exercised was 12,269,500.

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

32. SHARE-BASED COMPENSATION EXPENSES

Share award scheme

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

32. SHARE-BASED COMPENSATION EXPENSES (CONTINUED)

Share award scheme (continued)

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, 2018	4.69	77,844	70,655
Granted during the year	7.24	8,190	75,811
Forfeited during the year	4.36	(10,692)	(12,639)
Exercised or vested during the year	5.10	(12,270)	(23,179)
Outstanding at March 31 and April 1, 2019	5.00	63,072	110,648
Granted during the year	**–**	**–**	**47,708**
Forfeited or lapsed during the year	**5.70**	**(9,060)**	**(15,001)**
Exercised or vested during the year	**4.93**	**(25,333)**	**(57,594)**
Outstanding at March 31, 2020	**4.84**	**28,679**	**85,761**

The weighted average grant date fair value per unit for options at March 31, 2020 was RMB2.23 (2019: RMB2.18) and the weighted average grant date fair value per unit for RSUs at March 31, 2020 was RMB6.50 (2019: RMB5.23).

For share options outstanding at the end of the reporting period, the exercise prices ranged from HK$3.61 to HK$7.24. The exercise period of the options is from the vesting date to 10 years from the grant date. 28,679,000 share options of the Group were outstanding as at March 31, 2020 with the weighted average remaining contractual life of 7.16 years (2019: 7.75 years).

As at March 31, 2020, the remaining vesting periods for the options and RSUs granted ranged from 3 month to 48 months (2019: 1 month to 46 months).

There were no options granted during the year ended March 31, 2020 (2019: The fair value of the share options granted during the year was RMB27,874,000, RMB3.40 each).

32. SHARE-BASED COMPENSATION EXPENSES (CONTINUED)

Share award scheme (continued)

The fair value of share options granted during the year ended March 31, 2019 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 2019
Fair value of the Company's shares as at the grant date	HK$7.24
Expected volatility (%)	75
Expected dividend (%)	0.00
Exercise multiple	2.8
Exercise price	HK$7.24
Risk-free interest rate (%)	2.28
Forfeiture rate (%)	20.00

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, 2020 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:

	2020 *RMB'000*	2019 *RMB'000*
Cost of revenue	**8,893**	8,934
Sales and marketing expenses	**102,039**	68,361
Administrative expenses	**74,339**	67,467
Product development expenses	**72,729**	57,067
Fulfilment	**19,139**	11,664
Total	**277,139**	213,493

32. SHARE-BASED COMPENSATION EXPENSES (CONTINUED)

Share award scheme (continued)

At the end of the reporting year, the Company had approximately 28,679,000 options and 85,761,000 RSUs outstanding under the Share Award Scheme, which represented approximately 0.95% of the Company's shares in issue as at that date. The exercise in full of the outstanding options and RSUs, under the present capital structure of the Company, would result in the issue of approximately 102,392,000 additional ordinary shares of the Company and additional share capital of HK$1,023,920 (equivalent to approximately RMB912,299) (before issue expenses), the purchase of 3,039,000 existing shares from the market and release of 9,009,000 shares from treasury shares.

33. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 139 and page 140 of the annual report.

The Group's contributed surplus represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation over the nominal value of the Company's shares issued in exchange therefor.

General reserve represents the share of PRC statutory reserves from the joint venture before the year ended March 31, 2013 and subsidiaries for the year. PRC statutory reserves are required to be maintained under the relevant PRC laws applicable to the joint venture and subsidiaries of the Group.

34. BUSINESS COMBINATIONS

(A) Business combinations not under common control

Acquisition of Hangzhou Yixintang

In May 2019, Ali JK Medical Products (HK) Limited, a subsidiary of the Group, entered into an equity transfer agreement with Yixintang Pharmaceutical Chain Co., Ltd. (易心堂大藥房連鎖股份有限公司) ("Yixintang"), pursuant to which, Ali JK Medical Products (HK) Limited acquired 100% equity interest of Hangzhou Yinxintang Pharmaceutical Chain Co., Ltd. (杭州易心堂大藥房連鎖有限公司) ("Hangzhou Yixintang"), which was a subsidiary of Yixintang, at a cash consideration of RMB15,785,000. The cash consideration was fully paid as at March 31, 2020.

34. BUSINESS COMBINATIONS (CONTINUED)

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

Acquisition of Hangzhou Yixintang (continued)

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

	Fair value recognised on acquisition *RMB'000*
Property and equipment	2,458
Prepayments, other receivables and other assets	460
Right of use assets	8,666
Lease liabilities	(7,673)
Inventory	1,088
Trade receivables	3
Cash and cash at banks	5
Other payables	(492)
Trade payables	(2,300)
Total identifiable net assets at fair value	2,215
Goodwill on acquisition	13,570
	15,785
Satisfied by:	
Cash	12,585
Other payables	3,200
Total purchase consideration	15,785

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

34. BUSINESS COMBINATIONS (CONTINUED)

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

Acquisition of Hangzhou Yixintang (continued)

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

	RMB'000
Cash consideration paid	(15,785)
Cash and bank balances acquired	5
Net outflow of cash and cash equivalents included in cash flows from investing activities	(15,780)

Since the acquisition, Hangzhou Yixintang contributed RMB61,720,000 to the Group's revenue and loss of RMB5,478,000 to the Group's loss for the year ended March 31, 2020.

Had the combination taken place at the beginning of current period, the revenue from continuing operations of the Group and the loss of the Group for the year ended March 31, 2020 would have been RMB9,597,000,000 and RMB18,855,000, respectively.

Acquisition of seven pharmacies

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

Since the acquisition, seven pharmacies contributed RMB10,456,000 to the Group's revenue and loss of RMB4,625,000 to the Group's loss for the year ended March 31, 2020.

Acquisition of Jiukang Yixin

In February 2019, Hongyun Jiukang, a subsidiary of the Group, entered into an equity transfer agreement with Yixintang, pursuant to which, Hongyun Jiukang acquired a 40% equity interest in Jiukang Yixin from Yixintang at a cash consideration of RMB10,800,000. The consideration was fully paid by Hongyun Jiukang. Accordingly, the Group's ownership interests in Jiukang Yixin increased to 80%, and hence had control over Jiukang Yixin.

34. BUSINESS COMBINATIONS (CONTINUED)

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

Acquisition of Jiukang Yixin (continued)

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

	Fair value recognised on acquisition *RMB'000*
Property and equipment	527
Prepayments, deposits and other receivables	1,477
Financial assets measured at fair value through profit or loss	15,190
Cash and cash at banks	9,844
Other payables	(21)
Trade payables	(17)
Total identifiable net assets at fair value	27,000
Non-controlling Interest	(5,400)
	21,600
Satisfied by:	
Cash	10,800
Fair value of equity interest previously held as an investment in a joint venture	10,800
Total purchase consideration	21,600

34. BUSINESS COMBINATIONS (CONTINUED)

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

Acquisition of Jiukang Yixin (continued)

An analysis of the cash flows in respect of the acquisition of Jiukang Yixin is as follows:

	RMB'000
Cash consideration paid	(10,800)
Cash and cash at banks acquired	9,844
Net outflow of cash and cash equivalents included in cash flows from investing activities	(956)

Since the acquisition, Jiukang Yixin contributed nil to the Group's revenue and RMB132,000 to the consolidated loss for the year ended March 31, 2019.

Had the combination taken place at the beginning of current year, the revenue from the Group and the loss of the Group for the year ended March 31, 2019 would have been RMB5,095,867,000 and RMB93,000,000, respectively.

Acquisition of four pharmacies

On December 15, 2018, the Group acquired four pharmacies from a third party. The purchase consideration was approximately RMB8,686,000. The total fair value of the identifiable net assets of four pharmacies as at the date of acquisition was RMB803,000 and the goodwill in acquisition was RMB7,883,000. The consideration of RMB1,920,000 was paid and the remaining RMB6,766,000 was recorded in other payables as of March 31, 2019.

Since the acquisition, four pharmacies contributed RMB2,493,000 to the Group's revenue and loss of RMB340,000 to the consolidated loss for the year ended March 31, 2019.

34. BUSINESS COMBINATIONS (CONTINUED)

(B) Business combination under common control

The Group adopts merger accounting for common control combinations in respect of the following transaction:

On August 2, 2018, the Group acquired 100% equity interest in Ali JK Medical Products Limited and its subsidiaries, namely Ali JK Medical Products (HK) Limited and Hangzhou Hengping Health Technology Co., Ltd (杭州衡憑健康科技有限公司) (collectively referred to as the "Ali JK Medical Products Group") from Ali JK, or the "Vendor", a direct wholly-owned subsidiary of Alibaba Holding. As the Company and Ali JK Medical Products Group are under the common control of Alibaba Holding before and after the acquisition, the business combination has been accounted as a business combination under common control using merger accounting.

The consideration amounting to HK$10,600 million was satisfied by the Company issuing 1,827.6 million shares on August 2, 2018 to the Vendor. The fair value of these consideration shares was HK$14,419.7 million (approximately to RMB12,570.5 million) based on the market price of HK$7.89 per ordinary shares as at August 2, 2018. The difference of RMB12,569.1 million between the fair value of consideration shares issued of approximately RMB12,570.5 million and the carrying amount of approximately RMB1.4 million of the net asset of Ali JK Medical Products Group at acquisition date is recognised in merger reserve. Ali JK Medical Products Group was established by the Vendor to hold the business (the "Target Business II") which comprises: (i) all merchant relationships with the the merchants who have obtained, or propose to obtain for the promotion and distribution of products on Tmall and (ii) certain relevant marketing and operations personnel managing the relationships with the Target Merchants. The Target Business II earns commissions from merchants when sales of products on Tmall were completed.

Since the acquisition, Ali JK Medical Products Group contributed RMB470,861,000 to the Group's revenue and profit of RMB32,903,000 to the consolidated loss for the year ended March 31, 2019.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

The Group had non-cash additions to right-of-use assets and lease liabilities of RMB31,227,000 and RMB31,227,000, respectively, in respect of lease arrangements for plant and equipment (2019: Nil).

(b) Changes in liabilities arising from financing activities

	Interest bearing bank borrowings *RMB'000*	Lease liabilities *RMB'000*
At March 31, 2019	1,700,000	–
Effect of adoption of HKFRS 16	–	68,301
At April 1, 2019 (restated)	1,700,000	68,301
Changes from financing cash flows	(1,700,000)	(29,773)
New leases	–	31,227
Interest expense	–	3,133
Interest paid classified as operating cash flows	–	(3,133)
At March 31, 2020	–	69,755

	Interest bearing other borrowings *RMB'000*
At April 1, 2018	–
Changes from financing cash flows	(1,700,000)
At March 31, 2019	(1,700,000)

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 ***RMB'000***
Within operating activities	**3,133**
Within financing activities	**29,773**
	32,906

36. COMMITMENT

(a) Capital commitments

Except the acquisition as disclosed in note 41, the Group had the following capital commitments at the end of the reporting period:

	March 31, 2020 ***RMB'000***	March 31, 2019 *RMB'000*
Contracted, but not provided for:		
Capital contribution payable to joint ventures	**167,500**	281,500
Capital contribution payable to an associate	**–**	94,444

(b) Operating lease commitments as at March 31, 2019

As at March 31, 2019, the Group had total future minimum lease payments under the non-cancellable operating leases falling due as follows:

	RMB'000
Within one year	25,112
In the second to fifth years, inclusive	48,231
Over five years	1,597
	74,940

(c) The Group had no lease contracts that have not yet commenced as at March 31, 2020.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

37. RELATED PARTY TRANSACTIONS

(I) Transactions with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2020 RMB'000	2019 RMB'000
Services received from related parties:			
Share based compensation paid to connected persons for the services provided	*(i)*	**(27,923)**	(27,644)
Cloud computing services received from a subsidiary of Alibaba Holding	*(ii)*	**(5,798)**	(5,078)
Services received from a joint venture	*(iii)*	**–**	(7,070)
Internet information and other related services received from relevant entities of Alibaba Group	*(iv)*	**(262,471)**	(136,330)
Shared services received from Alibaba Group	*(v)*	**(103,352)**	(31,422)
Marketing services received from Alibaba Group	*(vi)*	**(188,872)**	(52,478)
Logistics and warehouse services received from a subsidiary of Alibaba Holding	*(vii)*	**(103,550)**	(52,582)
Payment services received from Alipay	*(viii)*	**(40,385)**	(18,873)
Technical services received from Tmall Entities@ regarding Blue Cap Health Food	*(ix)*	**(59,745)**	(48,368)
Technical services received from Tmall Entities regarding medical devices, healthcare products, adult products, and medical and healthcare services	*(ix)*	**(500,520)**	(242,302)
Products received from Alibaba Group	*(x)*	**(30,058)**	–
Services and products provided to related parties:			
Incentive fee received from a subsidiary of Alibaba Holding	*(vi)*	**2,911**	3,126
Outsourced and value-added services provided to Tmall Entities or Taobao Holding	*(xi)*	**93,816**	123,239
Tracking related services provided to a subsidiary of Alibaba Holding	*(xii)*	**1,955**	7,535
Products provided to Alibaba Group	*(x)*	**1,588**	341
Products provided to associates of the Group	*(xiii)*	**47,060**	54,426
Rent received from a subsidiary of Alibaba Holding	*(xiv)*	**8,057**	–
Others:			
Interest expense to Alibaba Holding	*(xv)*	**(20,775)**	(25,656)
Interest income from a joint venture	*(xvi)*	**–**	610
Deemed disposal of a 55% equity interest in a subsidiary through a capital increase	*(xvii)*	**–**	55,000
Subscription Agreement with Antfin and Ali JK	*(note 31(f))*	**2,000,580**	–
Subscription Agreement with IK Healthcare	*(xviii)*	**–**	119,801
Disposal of an equity investment to an associate	*(xix)*	**53,042**	–

@ 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)

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes:

(i) On June 8, 2018, the Company granted 8,190,000 options and 1,170,000 RSUs to Mr. Shen Difan, the Chief Executive Officer of the Company and an executive director (resigned on March 16, 2020), and hence a connected person of the Company, under the Share Award Scheme. On the same day, the Company granted 300,000 RSUs to Mr. Wang Qiang, an executive director of the Company, and hence a connected person of the Company, and 1,200,000 RSUs to other connected persons (other than directors of the Company), under the Share Award Scheme. Further details of the transaction were set out in the announcement of the Company dated June 8, 2018.

On June 14, 2019, the Company granted 500,000 RSUs to Mr. Shen Difan, the Chief Executive Officer of the Company and an executive director (resigned on March 16, 2020), and hence a connected person of the Company under the Share Award Scheme. On the same day, the Company granted 449,000 RSUs to Mr. Wang Qiang, an executive director of the Company, and hence a connected person of the Company, and 487,000 RSUs to other connected persons (other than directors of the Company), under the Share Award Scheme. Further details of the transaction were set out in the announcement of the Company dated June 14, 2019.

(ii) On February 14, 2018, Alibaba Health Technology (China) Co., Ltd. (阿里健康科技(中國)有限公司), an indirectly wholly-owned subsidiary of the Company, and Alibaba Cloud Computing Ltd. (阿里雲計算有限公司) ("Alibaba Cloud") entered into the Fourth Renewed Cloud Computing Service Agreement for a term of one year from April 1, 2018 to March 31, 2019, pursuant to which Alibaba Cloud provided certain cloud computing services to the Group. On March 28, 2019, the same parties entered into the 2020 Cloud Computing Services Agreement for a term of one year from April 1, 2019 to March 31, 2020. Further details of the transaction were set out in the announcement of the Company dated March 28, 2019.

On March 27, 2020, the same parties entered into the 2021 Cloud Computing Services Agreement for a term of one year from April 1, 2020 to March 31, 2021. Further details of the transaction were set out in the announcement of the Company dated March 27, 2020.

(iii) On August 3, 2018, Alibaba China Co., Ltd. (阿里巴巴中國有限公司), on behalf of its related parties including the Group, entered into a call centre service outsourcing agreement with HL95. The term of the agreement is approximately one year commencing on the agreement date.

(iv) On February 14, 2018, the Company, Alibaba.com China Limited (阿里巴巴網絡中國有限公司), and Taobao China Holding Limited entered into a Renewed Services Framework Agreement, commencing from April 1, 2018 to March 31, 2019, pursuant to which relevant entities# of Alibaba Group provided to the Group internet information related software technical services and other related services. On January 30, 2019, Alibaba Holding and the Company entered into the 2020 Platform Services Agreement for a renewed term of one year commencing on April 1, 2019 to March 31, 2020. For the period ended March 31, 2020, a service fee of RMB294,578,000 (for the period ended March 31, 2019: RMB151,510,000) was charged to the Group. A net service fee of RMB203,067,000 (for the period ended March 31, 2019: RMB136,330,000) was recorded in the consolidated statement of profit or loss. Further details of the transaction were set out in the announcement of the Company dated January 30, 2019. The transaction was approved by the Company's independent shareholders at a special general meeting.

On February 7, 2020, the same parties entered into the 2021 Platform Services Framework Agreement for a term of one year from April 1, 2020 to March 31, 2021. Further details of the transaction were set out in the announcement of the Company dated February 7, 2020. The transaction was approved by the Company's independent shareholders at a special general meeting.

Relevant entities refers to Alibaba (China) Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司), Hangzhou Alibaba Advertising Co., Ltd. (杭州阿里巴巴廣告有限公司), Taobao China Holding Limited, the Tmall Entities and their respective affiliates, collectively.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(v) On February 14, 2018, the Company entered into a Renewed Shared Service Agreement with Alibaba Holding, pursuant to which Alibaba Holding shall procure the Alibaba Service Providers# to provide to the Group the shared services for a term of one year from April 1, 2018 to March 31, 2019. On March 28, 2019, the same parties entered into the 2020 Shared Services Agreement for a term of one year, which runs from April 1, 2019 to March 31, 2020. Further details of the transaction were set out in the announcement of the Company dated March 28, 2019.

On March 27, 2020, the same parties entered into the 2021 Shared Services Agreement for a term of one year from April 1, 2020 to March 31, 2021. Further details of the transaction were set out in the announcement of the Company dated March 27, 2020.

\# Alibaba Service Providers refers to Alibaba Holding, persons controlled by it and persons under the common control of Alibaba Holding, and any other persons designated by Alibaba Holding.

(vi) On February 14, 2018, Hangzhou Alimama Software Services Co., Ltd. (杭州阿里媽媽軟件服務有限公司) ("Alimama") and the Company entered into the Advertising Services Framework Agreement for a term of one year from April 1, 2018 to March 31, 2019, pursuant to which Alimama provided marketing services to the Group. The transaction was approved by the Company's independent shareholders at a special general meeting. Further details of the transaction were set out in the announcement of the Company dated February 14, 2018.

On January 30, 2019, Alibaba Holding and the Company entered into the 2020 Advertising Services Framework Agreement for a term of one year from April 1, 2019 to March 31, 2020. The transaction was approved by the Company's independent shareholders at a special general meeting. Further details of the transaction were set out in the announcement of the Company dated January 30, 2019.

On February 7, 2020, the same parties entered into the 2021 Advertising Services Framework Agreement for a term of one year from April 1, 2020 to March 31, 2021. Further details of the transaction were set out in the announcement of the Company dated February 7, 2020. The transaction was approved by the Company's independent shareholders at a special general meeting.

On April 20, 2018, Alimama, Shanghai Quan Tudou Cultural Communications Company Limited (上海全土豆文化傳播有限公司) ("Youku"), a subsidiary of Alibaba Holding, and Alibaba Health (HK) Technology Company Limited entered into a Second Renewed Agency Agreement for a term of one year retrospectively from April 1, 2018 to March 31, 2020. As the marketing agent, the Group would be entitled to receive certain incentive fees. Further details of the transaction were set out in the announcement of the Company dated April 20, 2018.

On March 28, 2019, Alimama, Youku and Alibaba Health (Hong Kong), entered into the 2020 Agency Agreement for a term of one year, which runs from April 1, 2019 to March 31, 2020. Further details of the transaction were set out in the announcement of the Company dated March 28, 2019.

On March 27, 2020, the same parties entered into the 2021 Agency Agreement for a term of one year from April 1, 2020 to March 31, 2021. Further details of the transaction were set out in the announcement of the Company dated March 27, 2020.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(vii) On February 14, 2018, Hangzhou Cainiao Supply Chain Management Co., Ltd. (杭州菜鳥供應鏈管理有限公司) ("Cainiao"), an indirect non-wholly owned subsidiary of Alibaba Holding and the Company, entered into the Renewed Logistics Services Framework Agreement, pursuant to which Cainiao provided bonded warehouse services, customs clearance services and distribution services. The term of the Service Agreement commenced on April 1, 2018 to March 31, 2019. On March 28, 2019, Cainiao and Alibaba Health (Hong Kong), a wholly-owned subsidiary of the Company entered into the 2020 Logistics Services Agreement on similar terms for a term of one year, from April 1, 2019 to March 31, 2020. Further details of the transaction were set out in the announcement of the Company dated March 28, 2019.

On February 7, 2020, the same parties entered into the 2021 Logistics Services Framework Agreement for a term of one year from April 1, 2020 to March 31, 2021. Further details of the transaction were set out in the announcement of the Company dated February 7, 2020. The transaction was approved by the Company's independent shareholders at a special general meeting.

(viii) On February 14, 2018, the Company (for itself and on behalf of its subsidiaries) entered into the Renewed Payment Service Framework Agreement with Alipay, pursuant to which Alipay will provide payment services and the Group paid service fees. On March 28, 2019, the same parties entered into the 2020 Payment Service Framework Agreement for a term of one year, which runs from April 1, 2019 to March 31, 2020. Further details of the transaction were set out in the announcement of the Company dated March 28, 2019.

On March 27, 2020, the same parties entered into the 2021 Payment Services Framework Agreement for a term of one year from April 1, 2020 to March 31, 2021. Further details of the transaction were set out in the announcement of the Company dated March 27, 2020.

(ix) On May 18, 2017, Alibaba Health Technology(Hangzhou) Co., Ltd. (阿里健康科技(杭州)有限公司) (formerly known as Hangzhou Hengping Information Technology Co., Ltd. (杭州衡平信息科技有限公司)) entered into the Framework Technical Services Agreement with the Tmall Entities, pursuant to which the Tmall Entities will continue to provide technical support, internet information services and secondary domain names and other services for the operation of the business which comprises: (i) all merchant relationships with the merchants who have obtained, or propose to obtain, permission from Tmall or Tmall Global for the sale of products and services on the those platforms; and (ii) the employment relationships with relevant marketing and operations personnel managing the relationships with the target merchants. The Tmall Entities charged service fees of 50% of total software service fees received by the Target Business I from the relevant merchants on Tmall. The Framework Technical Services Agreement was approved by the independent shareholders at the special general meeting, and the term of the Framework Technical Services Agreement commenced on the day following the completion of business acquisition under common control and ended on March 31, 2020. Further details of the transaction were set out in the announcement of the Company dated May 19, 2017.

On March 27, 2020, the same parties entered into the 2021–2023 Framework Technical Services Agreement for a term of three years from April 1, 2020 to March 31, 2023. Further details of the transaction were set out in the announcement of the Company dated March 27, 2020.

On May 28, 2018, Lu Kang pharmacy (Hangzhou) Co., Ltd. (鹿康大藥房(杭州)有限公司) (formerly known as Hangzhou Hengping Health Technology Co., Ltd. (杭州衡憑健康科技有限公司)) entered into the Framework Technical Services Agreement with the Tmall Entities, pursuant to which the Tmall Entities continued to provide software technical services, internet information services and secondary domain names and other services for the operation of the Target Business II as described in note 34(B) on Tmall. The Tmall Entities charged service fees of 50% of total software service fees received by the Target Business II from the relevant merchants on Tmall. The Framework Technical Services Agreement was approved by the independent shareholders at the special general meeting, and the term of the Framework Technical Services Agreement commenced on the day following the completion of business acquisition under common control as described in note 34(B) and will end on March 31, 2021. Further details of the transaction were set out in the announcement of the Company dated May 29, 2018.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(x) On February 14, 2018, the Company entered into the Renewed Supply Framework Agreement with Alibaba.com Singapore E-commerce Private Limited, a company incorporated in Singapore and an indirectly wholly-owned subsidiary of Alibaba Holding, pursuant to which the Company shall procure the Group to supply to Alibaba Group various products including but not limited to health products, nutritional supplements and family planning products for a term of one year from April 1, 2018 to March 31, 2019.

On March 28, 2019, the same parties entered into the 2020 Supply and Purchase Framework Agreement for a term of one year, which runs from April 1, 2019 to March 31, 2020, pursuant to which the Company shall procure the Group to supply and/or purchase various products to or from Alibaba Group on the platforms or stores operated by Alibaba Group. The Group will also provide other related services including daily maintenance, inventory control, pricing, promotional activities and packaging in accordance with the standard agreements and terms as agreed by the parties from time to time. Further details of the transaction were set out in the announcement of the Company dated March 28, 2019.

On March 27, 2020, the same parties entered into the 2021 Supply and Purchase Framework Agreement for a term of one year from April 1, 2020 to March 31, 2021. Further details of the transaction were set out in the announcement of the Company dated March 27, 2020.

(xi) On February 14, 2018, Alibaba Health Technology (China) Co., Ltd. (阿里健康科技(中國)有限公司, an indirectly wholly-owned subsidiary of the Company, and the Tmall Entities, members of Alibaba Group, entered into the Renewed Services Agreement, pursuant to which the Group agreed to provide certain outsourced and value-added services in accordance with the terms and conditions of the services agreement. For the period ended March 31, 2020, a service income of RMB125,923,000 (for the period ended March 31, 2019: RMB138,419,000) was charged by the Group to the Tmall Entities. The Tmall Entities shall pay the Group a service fee amounting to 21.5% of the fees paid by the merchants to the relevant Tmall Entities in respect of the value of the completed sales of products or services under certain categories on Tmall. A net service income of RMB93,816,000 (for the period ended March 31, 2019: RMB123,239,000) was recorded in the consolidated statement of profit or loss. The transaction was approved by the Company's independent shareholders at a special general meeting. The term of the services agreement was from April 1, 2018 to March 31, 2019.

On January 30, 2019, Taobao Holding Limited, a subsidiary of Alibaba Holding, and Alibaba Health Information Technology (Beijing) Co., Ltd. (阿里健康信息技術(北京)有限公司), an indirectly wholly-owned subsidiary of the Company, entered into the 2020 Outsourced Service Framework Agreement for a term of one year, which runs from April 1, 2019 to March 31, 2020, pursuant to which the Group agreed to provide certain outsourced and value-added services in accordance with the terms and conditions of the services agreement to Alibaba Group. The transaction was approved by the Company's independent shareholders at a special general meeting. Further details of the transaction were set out in the announcement of the Company dated January 30, 2019.

On March 27, 2020, the same parties entered into the 2021 Outsourced Services Framework Agreement for a term of one year from April 1, 2020 to March 31, 2021. Further details of the transaction were set out in the announcement of the Company dated March 27, 2020.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(xii) On September 7, 2018, Alibaba Health Technology (China) Co., Ltd. (阿里健康科技(中國)有限公司), an indirect wholly-owned subsidiary of the Company, entered into the Renewed Tracking Service Agreement with Taobao China Holding Limited, an indirect wholly-owned subsidiary of Alibaba Holding, pursuant to which Alibaba Health Technology (China) Co., Ltd. (阿里健康科技(中國)有限公司) shall provide development, maintenance and operation service of tracking information system to Taobao China Holding Limited for a term from September 7, 2018 to March 31, 2019 and the details of which were set out in the announcement dated September 7, 2018. On March 18, 2019, the same parties entered into the Second Renewed Tracking Services Agreement for a term of one year, which runs from April 1, 2019 to March 31, 2020.

On March 27, 2020, the same parties entered into the 2021 Tracking Services Framework Agreement for a term of one year from April 1, 2020 to March 31, 2021. Further details of the transaction were set out in the announcement of the Company dated March 27, 2020.

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

(xiv) On April 15, 2019, Alibaba Health Technology (China) Co., Ltd. (阿里健康科技(中國)有限公司), an indirect wholly-owned subsidiary of the Company and Taobao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司), an indirect wholly-owned subsidiary of Alibaba Holding entered into the Lease Agreement, pursuant to which Alibaba Health Technology (China) Co., Ltd. agreed to sublet the premises to Taobao (China) Software Co., Ltd. for a term commencing from April 15, 2019 to March 31, 2021 at a monthly rent of approximately RMB776,000 (inclusive of tax). Further details of the transaction were set out in the announcement of the Company dated April 15, 2019.

(xv) Zhejiang Tmall Technology Co., Ltd. (浙江天猫技術有限公司) provided loans amounting to RMB2,000,000,000 to the Group during the year ended March 31, 2019, of which RMB1,700,000,000 was unpaid as at March 31, 2019. Interest was charged at 2.84% to 4.39% per annum. These loans were repaid during the year.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(xvi) On January 1, 2017, HL95 entered into a loan agreement with Alibaba Health (Hong Kong), a wholly-owned subsidiary of the Company, pursuant to which Alibaba Health (Hong Kong) agreed to provide a loan of RMB53,900,000 to HL95 for the three years ended December 31, 2019, which was unsecured and bore interest at a rate of 3% per annum. The principal was repaid by HL95 the year ended March 31, 2019.

(xvii) On June 1, 2018, Shanghai Yunxin, a company wholly-owned by Ant Financial, Hangzhou Yunting, an independent third party, Hongyun Jiukang, a subsidiary of the Group, and the joint venture[#], entered into a Capital Increase Agreement, pursuant to which Shanghai Yunxin and Hangzhou Yunting agreed to make respective capital contributions of RMB40 million and RMB15 million in cash to the registered capital of the joint venture. As at the date of the transaction, the joint venture was wholly owned by Hongyun Jiukang, with a registered capital of RMB45 million and fully subscribed for by Hongyun Jiukang. Upon completion of the transaction on June 1, 2018, the registered share capital of the joint venture was increased from RMB45 million to RMB100 million, which was held as to 45% by Hongyun Jiukang, 40% by Shanghai Yunxin and 15% by Hangzhou Yunting, respectively. Further details of the transaction were set out in the announcement of the Company dated June 1, 2018.

[#] Zhejiang Bian Que, a limited liability company established in the PRC and a wholly-owned subsidiary of Hongyun Jiukang prior to the transaction.

(xviii) On March 18, 2019, Ali JK Medical Products Limited, a wholly-owned subsidiary of the Company, entered into the Subscription Agreement with IK Healthcare, pursuant to which the Subscriber shall subscribe for 433,082 new shares in the IK Healthcare at a total subscription price of US$17,842,978.40. Upon completion of the Subscription Agreement, the IK Healthcare shall be held as to not less than 1% by the Subscriber. Further details of the transaction were set out in the announcement of the Company dated March 18, 2019.

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

The related party transactions in respect of items (i), (ii), from (iv) to (xii), (xiv),(xv), (xvii) and (xviii) above for the current year also constitute continuing connected transactions or connected transactions as defined in Chapter 14A of the Listing Rules.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Outstanding balances with related parties:

In addition to the outstanding balances detailed elsewhere in these financial statements, the balances with related parties as at March 31, 2020 and March 31, 2019 are listed below:

	March 31, 2020 ***RMB'000***	March 31, 2019 *RMB'000*
(1) Amounts due from related parties:		
Subsidiaries of Alibaba Holding	**132,215**	24,256
(2) Amounts due to related parties:		
Subsidiaries of Alibaba Holding	**2,462**	1,881
Associates	**61,004**	61,092
	63,466	62,973

(III) Compensation of key management personnel of the Group

	2020 ***RMB'000***	2019 *RMB'000*
Short-term employee benefits	**9,012**	10,557
Performance related bonuses	**3,662**	2,989
Share-based compensation expenses	**17,776**	32,667
Pension scheme contributions	**373**	423
Total compensation paid to key management personnel	**30,823**	46,636

Further details of directors' and chief executive's emoluments are included in note 9 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2020

Financial assets

	Financial assets at FVPL		Financial assets at FVOCI			
	Designated as such upon initial recognition	Held for trading	Debt investments	Equity investments	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Equity investment at FVOCI	–	–	–	173,456	–	173,456
Trade receivables	–	–	–	–	292,370	292,370
Bills receivable	–	–	32,171	–	–	32,171
Financial assets included in other receivables and other assets	–	–	–	–	264,625	264,625
Financial investments at FVPL	455,890	409,373	–	–	–	865,263
Cash and cash equivalents	–	–	–	–	2,594,981	2,594,981
Long-term receivables	–	–	–	–	21,732	21,732
	455,890	409,373	32,171	173,456	3,173,708	4,244,598

Financial liabilities at amortised cost

	RMB'000
Trade and bills payables	1,865,526
Interest-bearing other borrowings	–
Financial liabilities included in other payables and accruals	453,605
Lease liabilities	69,755
	2,388,886

38. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2019

Financial assets

	Financial assets at FVPL		Financial assets at FVOCI			
	Designated as such upon initial recognition	Held for trading	Debt investments	Equity investments	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Equity investment at FVOCI	–	–	–	119,801	–	119,801
Trade receivables	–	–	–	–	185,671	185,671
Bills receivable	–	–	179,775	–	–	179,775
Financial assets included in other receivables and other assets	–	–	–	–	173,352	173,352
Financial investments at FVPL	457,759	1,786,541	–	–	–	2,244,300
Cash and cash equivalents	–	–	–	–	280,371	280,371
Long-term receivables	–	–	–	–	39,372	39,372
	457,759	1,786,541	179,775	119,801	678,766	3,222,642

Financial liabilities at amortised cost

	RMB'000
Trade and bills payables	902,651
Interest-bearing other borrowings	1,700,000
Financial liabilities included in other payables and accruals	407,124
	3,009,775

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

39. 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 values, are as follows:

	Carrying amount		Fair value	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Financial asset at FVPL	**865,263**	2,244,300	**865,263**	2,244,300
Equity investment designated at FVOCI	**173,456**	119,801	**173,456**	119,801
Long-term receivables	**21,732**	39,372	**21,732**	39,372
Bills receivable	**32,171**	179,775	**32,171**	179,775
	1,092,622	2,583,248	**1,092,622**	2,583,248
Financial liabilities				
Interest-bearing other borrowings	**–**	1,700,000	**–**	1,700,000

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, and lease liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of long-term receivables, bills receivable and interest-bearing other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank loans as at March 31, 2020 was assessed to be insignificant.

The fair values of an unlisted equity investment designated at FVOCI is based on external transactions in the investee's equity.

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

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at March 31, 2020:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average EV/EBIT multiple of peers	11.86 to 33.38	1% increase/decrease in multiple would result in increase/decrease in fair value by RMB1,775,000/RMB1,558,000
		Average P/S multiple of peers	1.0 to 3.1	1% increase/decrease in multiple would result in increase/decrease in fair value by RMB2,896,000/RMB2,803,000
		DLOM	2019: 17.9%	1% increase/decrease in discount would result in decrease/increase in fair value by RMB934,000/RMB1,028,000

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

39. 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 March 31, 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	**Significant observable inputs (Level 2)** *RMB'000*	**Significant unobservable inputs (Level 3)** *RMB'000*	**Total** *RMB'000*
Equity investment designated at FVOCI	**—**	**—**	**173,456**	**173,456**
Financial assets at FVPL	**—**	**—**	**865,263**	**865,263**
Bills receivable	**—**	**32,171**	**—**	**32,171**
	—	**32,171**	**1,038,719**	**1,070,890**

As at March 31, 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Equity investment designated at FVOCI	—	—	119,801	119,801
Financial assets at FVPL	—	—	2,244,300	2,244,300
Bills receivable	—	179,775	—	179,775
	—	179,775	2,364,101	2,543,876

The Group did not have any financial liabilities measured at fair value as at March 31, 2020 and 2019.

During the year, 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 (2019: Nil).

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Assets for which fair values are disclosed:

As at March 31, 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Long-term receivables	**–**	**–**	**21,732**	**21,732**

As at March 31, 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Long-term receivables	–	–	39,372	39,372

Liabilities for which fair values are disclosed:

As at March 31, 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Interest-bearing other borrowings	–	1,700,000	–	1,700,000

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and term deposits. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are credit risk, foreign currency risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, other receivables and long-term deposits, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

The Group places its cash deposits with major international banks in Hong Kong and state-owned banks in Mainland China. This investment policy limits the Group's exposure to concentrations of credit risk.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on ageing information unless other information is available without undue cost or effort, and year-end staging classification as at March 31. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at March 31, 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	292,370	292,370
Bills receivable	32,171	–	–	–	32,171
Financial assets included in prepayments, other receivables and other assets					
— Normal**	264,625	–	–	–	264,625
Cash and cash equivalents					
— Not yet past due	2,594,981	–	–	–	2,594,981
	2,891,777	–	–	292,370	3,184,147

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging (continued)

As at March 31, 2019

	12-month ECLs		Lifetime ECLs		
				Simplified	
	Stage 1	Stage 2	Stage 3	approach	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	185,671	185,671
Bills receivable	179,775	—	—	—	179,775
Financial assets included in prepayments, other receivables and other assets					
— Normal**	212,724	—	—	—	212,724
Cash and cash equivalents					
— Not yet past due	280,371	—	—	—	280,371
	672,870	—	—	185,671	858,541

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from the Group's cash and bank balances denominated in currencies other than the functional currencies of the operating units.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of cash and bank balances).

	Increase/ (decrease) in RMB rate *%*	**Increase/ (decrease) in loss before tax** *RMB'000*
2020		
If the Hong Kong dollar weakens against RMB	**1**	**176**
If the Hong Kong dollar strengthens against RMB	**(1)**	**(176)**
2019		
If the Hong Kong dollar weakens against RMB	1	226
If the Hong Kong dollar strengthens against RMB	(1)	(226)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

As at March 31, 2020

	Less than 1 year or on demand *RMB'000*	Over 1 year *RMB'000*	Total *RMB'000*
Trade payables	1,865,526	–	1,865,526
Financial liabilities included in other payables and accruals	453,605	–	453,605
Lease liability	32,030	37,725	69,755
	2,351,161	37,725	2,388,886

As at March 31, 2019

	Less than 1 year or on demand *RMB'000*
Interest-bearing other borrowings	1,714,300
Trade payables	902,651
Financial liabilities included in other payables and accruals	418,338
	3,035,289

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new issues of shares.

41. SUBSEQUENT EVENTS

Share purchase agreement

On February 6, 2020, the Company entered into the share purchase agreement with Ali JK, a direct wholly-owned Subsidiary of Alibaba Holding, pursuant to which the Company will acquire 100% of the equity interest in Ali JK ZNS Limited ("the Vendor"), an offshore holding vehicle incorporated under the laws of the British Virgin Islands which is indirectly wholly-owned by Alibaba Holding to hold the target business. The aggregate consideration is HK$8.075 billion and will be satisfied by the Company issuing 860,874,200 shares to the Vendor at completion.

The target business comprises (i) all merchant relationships with the merchants who have obtained, or propose to obtain, permission from Tmall or Tmall Global for the sale of products and services on the those platforms; and (ii) the employment relationships with relevant marketing and operations personnel managing the relationships with the target merchants. As of the date of this report, the transaction has been completed.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	March 31, 2020 ***RMB'000***	March 31, 2019 *RMB'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**21,713,718**	16,805,899
Due from subsidiaries	**4,969**	2,582,183
Total non-current assets	**21,718,687**	19,388,082
CURRENT ASSETS		
Prepayments and other receivables	**2,210**	1,340
Other intangible assets	**191**	—
Cash and cash equivalents	**198,763**	47,819
Total current assets	**201,164**	49,159
CURRENT LIABILITIES		
Accounts payable	**—**	2,875
Other payables and accruals	**28,141**	13,605
Due to subsidiaries	**215**	23,550
Accrued salaries	**—**	462
Total current liabilities	**28,356**	40,492
NET CURRENT ASSETS	**172,808**	8,667
TOTAL ASSETS LESS CURRENT LIABILITIES	**21,891,495**	19,396,749
Net assets	**21,891,495**	19,396,749
EQUITY		
Share capital	**106,108**	102,898
Treasury shares	**(13,039)**	(25,052)
Reserves	**21,798,426**	19,318,903
Total equity	**21,891,495**	19,396,749

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	Notes	Share premium account RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve# RMB'000	Employee share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At March 31, 2018		7,255,519	10,752	57,741	(116,635)	142,480	(945,059)	6,404,798
Profit for the year		–	–	–	–	–	(80,897)	(80,897)
Translation from functional currency to presentation currency		–	–	–	194,203	–	–	194,203
Total comprehensive income/(loss) for the year		–	–	–	194,203	–	(80,897)	113,306
Issue of new shares for acquisition under common control	31	12,554,598	–	–	–	–	–	12,554,598
Exercise of share options	31	83,252	–	–	–	(30,377)	–	52,875
Share-based compensation expenses	32	–	–	–	–	213,493	–	213,493
Vested awarded shares transferred to employees	31	73,474	–	–	–	(91,987)	–	(18,513)
Transfer of share-based compensation reserve of options lapsed after vesting date		–	–	–	–	(1,654)	–	(1,654)
At March 31, 2019		19,966,843	10,752	57,741	77,568	231,955	(1,025,956)	19,318,903
Profit for the year		**–**	**–**	**–**	**–**	**–**	**(10,492)**	**(10,492)**
Translation from functional currency to presentation currency		**–**	**–**	**–**	**133,351**	**–**	**–**	**133,351**
Total comprehensive income for the year		**–**	**–**	**–**	**133,351**	**–**	**(10,492)**	**122,859**
Issue of new shares		**1,997,913**	**–**	**–**	**–**	**–**	**–**	**1,997,913**
Exercise of share options		**164,641**	**–**	**–**	**–**	**(52,887)**	**–**	**111,754**
Share-based compensation expenses	32	**–**	**–**	**–**	**–**	**277,139**	**–**	**277,139**
Vested awarded shares transferred to employees	31	**215,335**	**–**	**–**	**–**	**(245,477)**	**–**	**(30,142)**
At March 31, 2020		**22,344,732**	**10,752**	**57,741**	**210,919**	**210,730**	**(1,036,448)**	**21,798,426**

The exchange fluctuation reserve represents the difference arising from translating the financial statements from HK$ into RMB, the Company's presentation currency.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on May 27, 2020.

* *For identification purpose only*

FINANCIAL SUMMARY

	Year ended March 31,				
	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Revenue	**9,596,476**	5,095,867	2,442,618	475,078	56,595
Loss before tax	**9,094**	(60,830)	(95,145)	(207,099)	(197,117)
Income tax expense	**(24,790)**	(30,934)	(13,889)	(1,554)	(1,851)
Loss for the year	**(15,696)**	(91,764)	(109,034)	(208,653)	(198,968)
Attributable to:					
Owners of the parent	**(6,586)**	(81,949)	(106,974)	(207,626)	(191,608)
Non-controlling interests	**(9,110)**	(9,815)	(2,060)	(1,027)	(7,360)
	(15,696)	(91,764)	(109,034)	(208,653)	(198,968)

	As at March 31,				
	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Total assets	**7,869,972**	5,981,885	3,110,977	1,679,700	1,348,150
Total liabilities	**(2,667,457)**	(3,245,059)	(587,920)	(560,038)	(192,879)
	5,202,515	2,736,826	2,523,057	1,119,662	1,155,271
Equity attributable to owners of the parent	**5,269,145**	2,794,519	2,580,248	1,177,836	1,221,360
Non-controlling interests	**(66,630)**	(57,693)	(57,191)	(58,174)	(66,089)
	5,202,515	2,736,826	2,523,057	1,119,662	1,155,271