阿里健康

2021 Annual Report

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

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

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

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

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

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

COMPANY SECRETARY
Ms. LEE Wai Yan Vivian

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

AUDITOR
Ernst & Young
Certified Public Accountants

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Hamilton HM 10
Bermuda

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Causeway Bay
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN PRC
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Hong Tai Dong Jie, Wangjing
Chaoyang District, Beijing

PRINCIPAL SHARE REGISTRAR (IN BERMUDA)
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Canon's Court
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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
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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 fellow shareholders,

2020 and its many challenges will forever be engraved into human history. The importance of public health and safety has been deeply embedded into our society due to the persistent and repeated outbreak of COVID-19 throughout the year. Public awareness of virus prevention has gradually increased during this time and our healthcare and personal hygiene habits have also evolved. As a result, humankind has gained a deeper understanding and appreciation regarding the concepts of medical care, disease prevention, and healthy lifestyle. This year, "pandemic-fighting", "public health", "healthy living" have all been written into the corporate DNA of Alibaba Health Information Technology Limited (the "Company" or "Alibaba Health", together with its subsidiaries, the "Group"). We firmly believe that having weathered the pandemic, Alibaba Health is now at the forefront of the upsurging "Internet + Healthcare" industry.

As the country kicks off "The Fourteenth Five-Year Plan," 2021 has presented an abundance of opportunities for the "Internet + Healthcare" industry. Sparked initially by changes in personal health habits, government initiatives to "Develop and Build a Healthy China" and recent advancements in life sciences such as mRNA vaccines, CRISPR gene editing, and AI protein-structure predictions have further accelerated industry development. Rising expectations of quality healthcare services stemmed from elevated living standards have also fueled demands for transformation. As the vanguard of the "Internet + Healthcare" industry that regards well-being of every person as core mission, we are fully aware of the challenges and responsibilities we face, namely the extremely high threshold of commercialization in life sciences and the substantial joint efforts required to transform the massive healthcare industry. In an industry for which life is of paramount importance, we must be patient, meticulous and humble as we develop each new product and new business model.

However, it is our belief that the future of "Internet + Healthcare" is not limited to pharmaceutical e-commerce and online consultations. Instead, as we have been given the important responsibility of promoting the development of a healthy China, our vision expands to a new era of "Internet + prevention + treatment + protection." The digitization efforts are not confined to services rendered within the hospital but should also include the broader scope of "Internet + in-hospital + out-of-hospital" to provide seamless transition along the patient's entire healthcare journey. Ultimately, perfecting the traditional trifecta of "medical, pharmaceutical, and insurance" services is insufficient; we must leverage expertise in Internet and digital technology to boost advancements in life sciences. Together, Internet technology and life sciences will drive our success in achieving the great cause of building a healthy China.

In the past year, our determination to use the Internet to better serve medical and healthcare needs has only grown stronger. As a technology innovation company with deep roots in the Internet, Alibaba Health's capabilities and resources are naturally geared towards leveraging the prowess of Internet and digital technology to solve four major challenges our ecosystem partners in the broader medical and healthcare industry are facing. In the past few years, we have overcome the challenge of poor accessibility to authentic and quality drugs through "Internet e-commerce platform + medicine service." We have undertaken measures and services including the establishment of a strict e-commerce merchant management system, an efficient and compliant GSP drug storage and distribution supply chain, comprehensive drug quality track and trace capabilities, a rigorous AI drug safety system, along with a fully compliant protocol for pharmacist consultations and prescription refills. The initiatives have elevated both Tmall's Pharmaceutical Platform and the pharmaceutical direct sales business of Alibaba Health Pharmacy, enabling citizens nationwide to purchase authentic, quality drugs from Tmall anytime, anywhere. As a result, the gross merchandize value (GMV) of Tmall's Pharmaceutical Platform reached RMB123.2 billion, capturing an active platform user count of 280 million for the past fiscal year, and the pharmaceutical direct sales business has also achieved a revenue of RMB13,216.3 million. Alibaba Health has become the largest pharmaceutical and healthcare products service platform, as well as the largest online medicine retailer in China in terms of drug sales amount.

CHAIRMAN'S STATEMENT

While we upgraded the "Internet + Healthcare" industry, we also took a new, major step to combat the challenge of information asymmetry through the building of "Internet medical information community + pharmaceutical services" last year. Information asymmetry between individual patients and medical service providers that exists in the healthcare industry is the most severe among all industries. In China, nearly 50 million medical-related online searches are performed each day. Yet, the information available and existing consultation services are unable to adequately address the healthcare issues behind this massive amount of inquiries. Last September, we officially launched the "Dr. Deer" APP as the first stop for all customers' healthcare needs through the construction of an Internet medical information community to fill the citizens' knowledge gap. In addition, Internet and digital technology enable us to progressively transform the contract fulfillment and customer feedback stages of traditional neighborhood healthcare in order to progressively realize a new and complete service environment built upon the concept of "Internet medical information community + pharmaceutical services." After piloting this initiative for six months, we were able to achieve a monthly active user count of 1 million on the "Dr. Deer" APP in the last month of fiscal year 2021 without resorting to regular traffic promotional tactics to boost growth in the number of Internet online-users, laying a strong foundation for future growth. In the past fiscal year, Alipay's healthcare channel, which is operated by Alibaba Health, has also reached an annual active user count of 520 million, representing an extensive base for the medical information community that we are currently building.

We are also fully aware that digital transformation of the healthcare industry is critical for solving challenges in service accessibility and information asymmetry. Currently, a large number of HIS, electronic health record, smart health, medical AI, and medical big data solution providers have continuously invested and explored in this area. However, due to the sheer size, complexity, and level of prudence required for the medical services network, the digital transformation of and connectivity within the industry remain huge challenges. Therefore, Alibaba Health will focus on areas unsolved by the ecosystem partners, starting from the groundwork such as building a medical knowledge graph, to develop a better integrated solution for the entire industry.

Aside from this, the rising demand for self-paid healthcare, which grew along with increased disposable income, also faced the limitation of inadequate innovative payment protection, calling for innovation in commercial medical and health insurance products. We believe that a large-scale Internet platform providing comprehensive medical services is the perfect breeding ground for innovations in commercial medical and health insurance products. This is also Alibaba Health's clear direction on exploring the reform of the medical and healthcare industry going forward.

Staying true to our mission, Alibaba Health has revamped our strategy in the past year: "We shall regard the health and well-being manager of each household as our core customers and build upon principles of 'good medicines, renowned doctors and assurance' in order to become the most reliable and affordable healthcare service platform." We will harness the power of the Internet and digital technology to practically solve the four major challenges: asymmetry of medical information, accessibility of medical and pharmaceutical services, digital transformation of the healthcare industry, and the cost of self-paid healthcare services and protection. We firmly believe that reliability and affordability are paramount to the success of "Internet + Healthcare" and integral to our strategy. As a digital-native company, we will always place customer value first and foremost in everything we do. We believe that both business models and technological solutions are only means to serve our customers but not the ultimate objective. We must consider the holistic needs of our customers in the context of "Internet + Healthcare" and humbly exchange knowledge with our partnering physicians, medical facilities, pharmaceutical companies, offline pharmacies, pharmaceutical distributors, and regulatory authorities in order to truly provide customers around the country with high quality healthcare services.

We are confident that, with our relentless effort and focus in the next decade and beyond, Alibaba Health will become the "professional caretaker of every person and his/her family". With Internet and life sciences technology, Alibaba Health is able to engage in users' health at an early stage and, through the Group's platforms, improve their quality of life through "early prevention, early examination, early detection, and early treatment" in order to fulfill our mission in promoting healthy living of 120 years for everyone.

ZHU Shunyan
Chairman and Chief Executive Officer

May 25, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The unexpected outbreak of COVID-19 in 2020 brought about profound socioeconomic impact and lifestyle changes. Public awareness regarding viral infections and the resulting measures to boost physical fitness and prevent diseases have been on the rise due to the pandemic. A higher percentage of healthcare services have been consumed via online channels due to social distancing and other restrictions. Regulatory agencies and local governments have also established a series of policies to incentivize growth of the digital healthcare industry. In May 2020, national health insurance coverage was extended to first-time online medical consultation as part of the implementation plan to foster the development of new economic activities centered around "Cloud Migration, Digital Transformation, Intelligence Enablement" as outlined by the National Development and Reform Commission ("NDRC"). Subsequently, further health insurance coverage to include online follow-up consultations has also been approved as detailed in the "Implementation Opinions on Further Optimizing the Business Environment and Better Serving Market Entities"^ (關於進一步優化營商環境更好服務市場主體的實施意見) issued by the General Office of the State Council in July as well as the "Work Plan for Expanding Domestic Demand and Promoting Consumption in the Near Future"^ (近期擴內需促消費的工作方案) published in October jointly by 14 ministries including the NDRC and the Ministry of Industry and Information Technology. Furthermore, the National Healthcare Security Administration issued the "Guiding Opinions on Actively Promoting Medical Insurance Payment for "Internet+" Medical Services"^ (關於積極推進「互聯網+」醫療服務醫保支付工作的指導意見) regarding the insurance coverage, reimbursement, settlement, and fund management of the new "Internet+" healthcare services in November, thereby further clarifying the support for and regulated management of the "Internet+" healthcare industry. Industry development and innovation continue to accelerate due to robust demand and supportive public health policies. By following closely and adapting to policy changes and economic conditions, all business segments of the Company have been able to maintain rapid growth.

During the year ended March 31, 2021 (the "Reporting Period"), the total revenue of the Group has reached RMB15,518.5 million, representing a significant increase of 61.7% year-on-year. During the Reporting Period, the Group attained a GMV of RMB123.2 billion for medical and healthcare products sold via Tmall's Pharmaceutical Platform, representing a 47.5% growth year-on-year. Alibaba Health's pharmaceutical direct sales business achieved revenue of RMB13,216.3 million, with the revenue from drugs generated from the pharmaceutical direct sales business under the brand of "Alibaba Health" accounted for 64.8% of the revenue of the business. As at March 31, 2021, the number of annual active users has exceeded 280 million on Tmall's Pharmaceutical Platform while Alipay healthcare channel as a whole reached over 520 million annual active users for the year. Whether by the size of the user base, the platform's GMV of medical and healthcare products, or the value of professional pharmaceutical services provided to consumers from the direct sales business, Alibaba Health is now the largest pharmaceutical and healthcare products service platform, as well as the largest online medicine retailer in China in terms of drug sales amount. To meet the rising demand of Internet healthcare, Alibaba Health has continued to expand the scope of its pharmaceutical business while adopting the latest artificial intelligence ("AI") drug safety system and transparent laboratory engineering (authorized and issued by national quality inspection report) to ensure strict quality control and the safe use of its products. From the supply chain perspective, the Group is quickly scaling up the next-day delivery service and related logistics capabilities such as deploying direct-to-patient ("DTP") model with cold chain in order to support patients with more urgent needs. In particular, 50.1% direct sales medication is now delivered within 24 hours of order placement, up from 34.9% for the corresponding period last year.

During the Reporting Period, the Group has also tirelessly raised both the quality and the accessibility of our healthcare services. Booking services of COVID-19 nucleic acid tests have been administered through the Group's platforms to residents in 180 cities. Using our vaccine service platform, our proprietary "Dr. Deer" APP has helped with vaccine delivery to its users to provide childhood, adult, and scarce vaccines. In addition, a pediatric center has also been established as part of "Dr. Deer" APP, enabling experts at Class III Grade A hospitals nationwide to respond, on average, within 30 minutes and to conduct post-care follow-up via telephone within 48 hours. Furthermore, the search for new disruptive business models to satisfy our diverse customer demands has also led to a new charitable partnership with Dr. Zhang Wenhong through the "Lan Nong Charity Fund"^ (藍農公益基金) to establish an online platform for fighting multiple drug-resistant tuberculosis ("MDR-TB").

As the flagship healthcare platform for Alibaba Group Holding Limited ("Alibaba Holding", together with its subsidiaries, "Alibaba Group"), the Group's unwavering commitment to the mission of "promoting healthy living of 120 years for everyone" continues to propel our leadership position in the industry through solidifying existing business ventures and developing new service models centered on the evolving needs of our customers. The ultimate goal of Alibaba Health is to use 10 years, 20 years of hard work to build the largest, most complete healthcare infrastructure in China so that Alibaba Health can become the "professional caretaker of every person and his/her family". By utilizing Alibaba Health's comprehensive suite of digital healthcare products and services, the Group is able to engage in our users' health at an early stage and through the Group's platforms, improve their quality of life through "early prevention, early examination, early detection, and early treatment". To achieve this goal, the Group is committed to supporting the management of household well-being through a reliable and affordable healthcare platform built on the principle of "good medicines, renowned doctors and assurance."

Pharmaceutical E-commerce Business

Alibaba Health's customer-centric pharmaceutical e-commerce business is an omnichannel venture powered by the latest technologies such as Internet and Internet of Things. Through a combination of pharmaceutical direct sales business, Tmall's Pharmaceutical Platform, and the new retail model, Alibaba Health continues to expand its collaboration with high-quality brands, pharmaceutical, nutritional, and healthcare products and medical device manufacturers, as well as key domestic pharmaceutical distributors to provide an integrated pharmaceutical service platform which helps consumers transition seamlessly between online and offline healthcare services to meet their needs. During the Reporting Period, the Group has achieved a revenue of RMB15,181.5 million for its pharmaceutical e-commerce business, an increase of 63.2% year-on-year, product categories also grew to over 33 million unique stock keeping units ("SKUs") available via the e-commerce platform. The revenue from drugs generated from the pharmaceutical direct sales business under the brand of "Alibaba Health" increased by 86.1% year-on-year, accounting for 64.8% of the revenue of the business.

- ***Pharmaceutical Direct Sales Business***

Adhering to the motto of "Comprehensive and Safer", customers are offered a wide range of prescription drugs, OTC drugs, nutritional supplements, medical devices, contact lenses, and various other health-related products with rigorous quality control through its well-developed online platform for direct sales of drugs. In addition, extra effort is also dedicated to crafting an optimized customer experience throughout the sales and after-sales protection. During the Reporting Period, driven by the Group's operational efficiency and brand equity, as well as efficient execution, the pharmaceutical direct sales business achieved a revenue of RMB13,216.3 million, representing a year-on-year increase of 62.5%. Specifically, the revenue from drugs generated from the pharmaceutical direct sales business under the brand of "Alibaba Health" increased by 86.1% year-on-year, accounting for 64.8% of the revenue of the business. As at March 31, 2021, the number of annual active users (those who made one or more actual purchase(s) on our direct online stores in the past 12 months) of the direct online stores has reached 81 million.

During the Reporting Period, capitalizing on our strong supply chain capabilities, the pharmaceutical direct sales business engaged in in-depth cooperation with hundreds of recognized pharmaceutical companies to enable them to reach their respective target markets, seek and unlock new opportunities and directions for brand growth and bring new development opportunities to these companies through professional digital marketing. Furthermore, the Group is constantly enhancing its supporting infrastructure and service capabilities in customer service, warehousing, logistics, and quality control in order to obtain significant operational improvements. To elevate customer experience, continuous iterations are performed to perfect service processes and products. The consultation-to-sales conversion rate for direct sales products continues to increase as the service efficiency improves with a sizeable reduction in manual customer support requests. For warehousing and logistics, the Group has built a delivery network consisting of nine warehouses in seven different locations to enable next-day drug delivery in 100 core cities, significantly raising the next-day delivery product portfolio to 50.1% of the pharmaceutical products sales as compared with only 34.9% for the corresponding period last year. Cold chain storage and DTP distribution capabilities have also addressed the accessibility issue faced by patients requiring new specialty medications. As the pharmaceutical direct sales business expanded, the Group's quality control investment also grew to include latest AI drug safety system, free drug use consultation, insurance on authenticated drug purchase, transparent laboratories, end-to-end traceability and other measures to ensure the integrity and safe use of all medical products.

Moreover, to realize effective care for chronically ill patients, the Group has continued to invest in the "Chronic Disease Welfare Program"^ (慢病福利計劃). This program offers chronically ill patients a full suite of care services including discounted medicine, dedicated medical staff, tele-care follow-up services, patient education, and after-sales support. These measures have improved the customer experience as evidenced by a 24% year-on-year increase in the average platform drug use duration as well as rising repeat purchase rate during the Reporting Period. To bring more convenience and assurance to the customers, in the pharmaceutical direct sales business, the Group has also established new partnerships during the Reporting Period with other Alibaba Group businesses such as Ele.me and Kaola to offer more purchasing and delivery options. The Group also collaborated with the Ant Group to offer high-quality and affordable medication to those under Ant's mutual insurance plans to meet the demands arising from the growing customer healthcare awareness and expectations.

- ***Pharmaceutical E-commerce Platform Business — Tmall's Pharmaceutical Platform***

  Alibaba Health's secure and reliable pharmaceutical and healthcare products service platform is now the most comprehensive (based on number of SKUs of pharmaceutical and healthcare products) as well as the largest (based on GMV) in China. During the Reporting Period, Tmall's Pharmaceutical Platform operated by Alibaba Health continues to benefit from economies of scale, with a GMV of RMB123.2 billion, which is an increase of 47.5% year-on-year. As at March 31, 2021, the number of annual active users (those who made one or more actual purchase(s) on Tmall's Pharmaceutical Platform in the past 12 months) on Tmall's Pharmaceutical Platform has surpassed 280 million, representing a 90 million increase year-on-year. Tmall's Pharmaceutical Platform has now served over 23,000 merchants, an 8,000 increase year-on-year, and features over 33 million SKUs in its inventory.

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

  Leveraging on our strong foundation in both healthcare and consumer retail, the Group has continued to explore new strategies and improved methods to bring quality healthcare products to the market. As at March 31, 2021, the "non-stop, 24/7 30-minute delivery" service has been rolled out to around 30 cities including Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou, Wuhan, Jinan and Xi'an. Customers in over 300 cities now enjoy 1-hour "urgent drug delivery" service to support immediate needs. The coverage area for these expedited services continues to grow nationwide.

  Through in-depth joint efforts with Internet hospitals and offline pharmacies, Alibaba Health is piloting a multimodal online pharmacy with direct insurance billing. This is a complete offering that connects pharmaceutical, medical, and insurance services in a seamless closed-loop shopping experience. Leveraging on our previous accumulated operational experiences and capabilities, the Group will continue to improve compliance system of online consultations and electronic prescriptions, thereby enabling the Group to provide whole-value-chain services including online follow-up, prescription refill, and drug distribution to satisfy relevant standards and regulations on the basis of integrated supervision. This firm commitment towards sustainable business innovation and growth will ultimately lead to more accessible and higher quality medical services for the public.

MANAGEMENT DISCUSSION AND ANALYSIS

Medical and Healthcare Services Business

During the Reporting Period, the Group continued to cultivate its expertise and offerings in the "Internet + Healthcare" sector. An online "Dr. Deer APP + Alipay healthcare channel" platform was created to complement and integrate neighborhood healthcare services including vaccination, physical exam, nucleic acid testing, and nursing to provide diversified, multi-layered and seamless online-to-offline transition of appropriate, convenient and high-quality healthcare services to customers coming from all channels, including Taobao, Tmall, Alipay, "Dr. Deer" APP, and Quark Search. The combination of medical knowledge, vaccine service, mutual support groups and other methods has shaped the "Dr. Deer APP + Alipay healthcare channel" online platform into a reliable Internet medical and health information community. Through several service portals such as "Dr. Deer" APP, Alibaba Health Pharmacy, Tmall's Pharmaceutical Platform, and Alipay healthcare channel, patients with milder conditions gain access to the complete solution with intuitive search, analysis, consultation, prescription and purchase functionalities. Patients with more severe conditions may also conduct online searches; explore medical science information; conduct appointment, registration, and consultation booking; arrange offline doctor visits, seek treatment and rehabilitation through these portals. In essence, all users may access the full suite of medical knowledge information and integrated services such as prevention, protection, vaccination, physical examination, and nursing to enjoy this convenient, one-stop health solution. As at March 31, 2021, nearly 60,000 licensed physicians, pharmacists, and nutritionists have contracted with the Group to provide online consultations, up by nearly 18,000 compared with the same period last year. Among these contracted physicians, over 46,000 are experienced attending, associate chief, and chief doctors. As at March 31, 2021, online consultation services have exceeded an average of 180,000 consultations per day. During the Reporting Period, the GMV generated by the medical and healthcare services from various terminals grew rapidly. However, the revenue from the medical and healthcare services business increased by 12.4% year-on-year to RMB284.1 million as a result of the impact of switching from direct sales to platform of certain businesses.

- ***"Dr. Deer" APP***

  The Group launched the standalone "Dr. Deer" APP for medical and healthcare services in September 2020 to better serve customers during the pandemic. Since its inception, "Dr. Deer" APP has been positioned as the first stop for all customers' healthcare needs. Further investments have been made to constantly upgrade "Dr. Deer" APP, enabling more precise and comprehensive services for medical content search; appointment booking for services such as online consultation, vaccination, and physical exams; as well as allowing post-exam reporting and drug delivery. On top of that, "Dr. Deer" APP has been continuously accumulating and enriching premium and professional medical information. Through technological and model innovation, it has since evolved into a multi-dimensional product featuring a pediatric center, live streaming educational programs, and online user communities, bringing one-stop convenience that has successfully raised user loyalty. As at March 31, 2021, the number of "Dr. Deer" APP's monthly active users has grown to over 1 million in six months' period without resorting to regular traffic promotional tactics to boost growth in the number of Internet online users, laying a strong foundation for future growth.

Aside from the above functionalities such as online consultation and user community groups, "Dr. Deer" APP also features a built-in vaccine service platform, "Deer Vaccination", a one-stop digital vaccination appointment service, allowing its users to register for basic mandatory vaccines for children and adults as well as influenza vaccines. The vaccine service platform provides end-to-end functionalities including registration, appointment booking, smart planning, and reminder capabilities as well as scientific promotion of vaccine and consultation services. To alleviate the public's concerns regarding vaccine safety, "Dr. Deer" APP has introduced full coverage insurance products for injuries suffered by individuals and households as a result of vaccination.

- ***Neighborhood Healthcare***

As at March 31, 2021, the Group has established partnerships with over 3,000 public and private physical examination facilities to offer a variety of onsite, home visit, sample delivery and self-operated medical exams supported by "Dr. Deer" APP, Tmall, Alipay, Fliggy and DingTalk for different users at the retail and professional/medical levels.

To help combat the resurgence of COVID-19 in parts of China during the 2021 Chinese New Year Holidays, Alibaba Health immediately published a nationwide COVID-19 nucleic acid testing map on "Dr. Deer" APP to help customers find and book the most convenient testing options, book door-to-door nucleic acid testing, and check test reports. Specific regulations and travel guidelines for each area are also updated on the "Dr. Deer" APP. During the Reporting Period, the Group's initiative has led to booking services for COVID-19 nucleic acid tests being administered in more than 180 cities.

- ***Public Service***

Alibaba Health's commitment to "creating a better life for all with science and technology" also extends into the public service domain. Together with Dr. Zhang Wenhong, Alibaba Health has initiated a project to control MDR-TB. This project aims to tackle the medical accessibility and technical deficiency issues facing remote rural areas with public health challenges. Focusing on single-patient treatment, the interactive MDR-TB platform centrally manages all patient data, enabling associated medical professionals across different levels to monitor the patient's conditions and to promptly provide cooperative assistance. Physicians at the higher tier facilities are able to communicate with frontline personnel to adjust treatment plans in real-time for improved care. For more serious and challenging cases, experts from Beijing, Shanghai and Guangzhou may quickly convene online to discuss and to decide on the path forward. Since the platform started operating in January 2021, there are now 24 hospitals and over 180 physicians managing numerous patients on the platform, covering 10% of the patient population from Yunnan and Guizhou provinces.

With growing public interest in healthcare philanthropy, Alibaba Health is working with Chinese Medical Volunteers and other similar charitable health organizations to launch a new training platform for physicians, "Join Us for Training on Yi Die Gu"^ (醫蝶谷一起學), as part of the broader public service effort to alleviate poverty. By joining the service program, doctors have the opportunity to gain additional training through online and offline approaches, including free medical consultation services and free drugs, surgical trainings as well as further education through residency at provincial hospitals. Together with ongoing systematized online training of specialized knowledge, remote case discussion, remote ward rounds and so on, the program is offering county-level healthcare professionals a learning and supporting platform to provide improved care for the less fortunate. As at March 31, 2021, the "Join Us for Training on Yi Die Gu"^ (醫蝶谷一起學) supporting platform is now operating in 19 provinces, including Qinghai, Sichuan, Shaanxi, and Yunnan. Over 1,200 medical professionals from more than 120 hospitals have also demonstrated substantial service improvement as a result of participating in the program where approximately 20,000 doctor training sessions have been completed.

Digital Infrastructure Business

- ***Tracking Business***

The Group's proprietary tracking platform, "Ma Shang Fang Xin"^ (碼上放心), continues to grow steadily throughout the Reporting Period. As a pioneer in the field of pharmaceutical tracking, Alibaba Health has leveraged its technological advantages along with favorable government policies to speed up the development of "Ma Shang Fang Xin"^ (碼上放心) platform for medical products to provide a secure, user-friendly, and compliant big data solution for pharmaceutical companies and healthcare organizations to further their value propositions. As at March 31, 2021, the Group has achieved a coverage of over 98% for the manufacturers of key varieties of drugs under national traceability requirement (bid-winning varieties in centralized purchase, blood products, narcotic drugs and psychotropic drugs), with 100% coverage of all vaccine manufacturers.

In addition, Alibaba Health, in collaboration with Cainiao Smart Logistics Network, introduced a "Global pharmaceutical tracking and logistics program" in April 2021 to better serve global enterprises exporting medications from China by establishing a complete and safe service system in various countries and regions around the world which provides full origin-to-destination visibility, including origin and whereabouts checking and temperature monitoring capabilities. This service is critical for domestic pharmaceutical companies seeking overseas expansion. During the COVID-19 pandemic, Alibaba Health worked with the People's Republic of China ("PRC") government and vaccine manufacturers to implement end-to-end lot level tracking for all COVID-19 vaccines approved for emergency use. From cold chain storage temperature to transportation routes, the whole-value-chain from vaccine production to vaccine administration is fully visible to the regulatory agencies. Such model enabled the government's smart supervision of vaccines, while the public also gained free access to scientific vaccine knowledge as well as the ability to query the flow of vaccines, exemplifying the Group's goal of "creating better life with science and technology."

- ***Digital Health Business***

  During the Reporting Period, the Group's strategic investment in LinkDoc Technology Limited ("LinkDoc"), a leading AI and healthcare big data solution provider in China, has demonstrated the Group's commitment to build the foundational digital infrastructure for the medical and pharmaceutical segments. Combing expertise in various major diseases, Alibaba Health and LinkDoc have built a revolutionary, full lifecycle platform for comprehensive treatment for cancer patients in China. This platform is the first major innovative step towards building a new online cancer treatment protocol and service model, providing patients with more timely and more complete care. The Group's collaboration with Seenew Medical Technology (Zhejiang) Co., Ltd.^ (熙牛醫療科技(浙江)有限公司) ("Seenew Medical") and the First Affiliated Hospital — Zhejiang University School of Medicine continues to focus on enabling "hospitals of the future" by working closely with ecosystem partners such as Alibaba Cloud Computing Ltd.^ (阿里雲計算有限公司) ("Alibaba Cloud") to lead the healthcare area of the nationwide smart city initiative. Through this initiative, Alibaba Health and its partners are able to promote their leading technological capabilities and operational experience into more areas of China and gain access to valuable customer resources and operational gateways.

Future Prospects

As the vanguard of the "Internet + Healthcare" industry, the Group has always placed customer needs as its priority. Motivated by this uncompromising commitment and powered by technological innovations, Alibaba Health, along with Alibaba ecosystem partners, continue to push the frontier of the "Internet + Healthcare" industry in China, satisfying the increasing nationwide demand for healthy living.

The pharmaceutical e-commerce business will always regard catering for its customers as priority. By strengthening product quality and diversity to satisfy evolving demands, Alibaba Health continues to use an efficient and comprehensive consumer system and technological innovations to improve the shopping experience while increasing the brand equity on Tmall's Pharmaceutical Platform. For medical and healthcare services, the Group will leverage and consolidate its considerable experience and resources to maximize the power of Internet and build a new "Internet medical information community + pharmaceutical services" strategy based on information provided by users through the Internet to guide the direction for development of the Internet + medical and healthcare industry. By bringing together digital technology and disruptive service models, the Group will be able to create the most trusted, most affordable customer-centric online platform covering the full spectrum of services from basic treatments to lifelong healthcare needs.

With a wealth of experience and available technology, Alibaba Health will also proactively engage the government, hospitals, enterprises, and other healthcare ecosystem partners to support their digital transformation journeys utilizing digital health services based on AI and big data. In conjunction with LinkDoc and other enterprises Alibaba Health has invested in, the Group aims to connect the Alibaba Health platform with LinkDoc's smart hospitals and aforementioned cancer service platform to maximize our collective service capabilities in order to provide more precise, convenient, and complete services for critically ill patients.

MANAGEMENT DISCUSSION AND ANALYSIS

As the public's awareness increases and healthcare needs evolve, the Group will continue to rely on its expertise in Internet technology and data analytics to uncover additional synergies in order to offer personalized insurance products that will resolve the lack of product selection in the medical insurance industry today. The Group's vision is to connect and to combine the three key aspects of healthcare services — treatment, medication, and insurance — as part of the next generation digital healthcare experience. Looking ahead to the next decade and beyond, Alibaba Health strives to become the "professional caretaker of every person and his/her family".

FINANCIAL REVIEW

The key financial figures of the Group for the years ended March 31, 2021 and 2020 are summarized as follows:

	For the year ended March 31,		
	2021	2020	Change
	RMB'000	*RMB'000*	*%*
Revenue	**15,518,468**	9,596,476	61.7
Gross profit	**3,617,249**	2,231,380	62.1
Gross profit margin	**23.3%**	23.3%	N/A
Other income and gains	**405,828**	161,269	151.6
Fulfilment	**(1,619,459)**	(1,098,254)	47.5
Sales and marketing expenses	**(1,222,008)**	(722,720)	69.1
Administrative expenses	**(293,595)**	(219,973)	33.5
Product development expenses	**(423,632)**	(252,843)	67.5
Other expenses	**(22,302)**	(33,768)	(76.6)
Finance costs	**(2,449)**	(21,965)	(88.9)
Operating profit	**439,632**	43,126	919.4
Share of losses of joint ventures	**(11,556)**	(12,737)	(9.3)
Share of losses of associates	**(26,857)**	(21,295)	26.1
Income tax expenses	**(58,539)**	(24,790)	136.1
Profit/(loss) for the year	**342,680**	(15,696)	N/A
Net profit/(loss) attributable to owners of the parent	**348,588**	(6,586)	N/A
NON-HKFRS ADJUSTMENTS			
Adjusted net profit	**630,663**	211,304	198.5

– Revenue

Revenue of the Group for the year ended March 31, 2021 amounted to RMB15,518,468,000, representing an increase of RMB5,921,992,000 or 61.7% as compared with RMB9,596,476,000 for the year ended March 31, 2020. The increase in revenue was mainly attributable to the rapid growth in revenue from pharmaceutical e-commerce platform business and pharmaceutical direct sales business during the Reporting Period.

– *Pharmaceutical Direct Sales Business*

The pharmaceutical direct sales business of the Group comprises our direct B2C retail, related advertisement business and our B2B centralized procurement distribution business. During the Reporting Period, the general revenue from pharmaceutical direct sales business reached RMB13,216,284,000, representing a year-on-year increase of 62.5%. The rapid growth in revenue was mainly due to (i) the continual addition to the categories of goods sold through the Group's direct B2C and SKUs; (ii) the optimization of the customer purchase experience by upgrading customer service products and enhancing supply chain capabilities to significantly improve conversion rate of medication consultation and delivery timeliness; (iii) accelerated business deployment of prescription drug sales business, larger SKUs selection for prescription drugs, and strengthened cooperation with pharmaceutical companies in order to optimize the online process for prescription drugs purchase and expand sales volume of prescription drugs; (iv) ongoing cooperation with well-known pharmaceutical companies to help them reach more customers and boost sales with our digital marketing capability.

– *Pharmaceutical E-commerce Platform Business*

Our pharmaceutical e-commerce platform business comprises the e-commerce platform business (relating to pharmaceutical products, 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 new pharmaceutical retail business. As at March 31, 2021, the Group had acquired the e-commerce platform business of pharmaceutical products, medical devices and healthcare products, health food, sexual health and family planning products, contact lenses, and medical and healthcare service categories from Alibaba Group. During the Reporting Period, the total revenue of the above businesses amounted to RMB1,965,169,000, representing a year-on-year increase of 67.9%.

– ***Medical and Healthcare Services Business***

Apart from the aforementioned businesses, the Group continued to explore the areas of Internet healthcare and health service. During the Reporting Period, the Group combined its consumer healthcare business, Internet healthcare business and other businesses to form the medical and healthcare services business, and continued to provide diversified, multi-layered and seamless online-to-offline transition of appropriate, convenient and high-quality healthcare services to customers coming from all channels, including Taobao, Tmall, Alipay, "Dr. Deer" APP, and Quark Search. In order to improve the quality and accessibility of medical and healthcare services at a fast pace, the Group focused on expanding platform models for cooperation with vaccination, health screening, testing and other medical and healthcare service organizations during the Reporting Period. This allowed the Group to successfully expand service supply and satisfy users' needs with convenient one-stop medical and healthcare services both online and offline. During the Reporting Period, the Group recorded platform commissions and direct sales revenue from the medical and healthcare services business including online consultation, health screening, vaccination and nucleic acid testing, which amounted to RMB284,085,000. During the Reporting Period, the GMV generated by the medical and healthcare services from various terminals grew rapidly. However, the general revenue from the medical and healthcare services business achieved a year-on-year increase of 12.4%, as a result of the switch from a direct sales mode to a platform mode of certain businesses and the platform commissions income was recognized on a net basis.

– ***Digital Infrastructure Business***

Digital infrastructure business mainly comprises tracking business and digital health business. As at March 31, 2021, the Group has achieved a coverage of over 98% for the manufacturers of key varieties of drugs under national traceability requirement (bid-winning varieties in centralized purchase, blood products, narcotic drugs and psychotropic drugs), with 100% coverage of all vaccine manufacturers. Revenue from digital infrastructure business for the year was RMB52,930,000, representing a year-on-year growth of 34.0%.

– **Gross profit and gross profit margin**

The Group recorded gross profit for the year ended March 31, 2021 of RMB3,617,249,000, representing an increase of RMB1,385,869,000 or 62.1% as compared with RMB2,231,380,000 for the preceding financial year. Gross profit margin for the year was 23.3%. The gross profit margin of OTC and other categories increased due to the lower purchasing cost resulting from economies of scale of the pharmaceutical direct sales business, but was partially offset by the significant growth of prescription drug business with lower gross profit margin. The overall gross profit margin for the year thus was the same as compared with 23.3% for the preceding financial year.

— Other income and gains

Other income and gains for the year ended March 31, 2021 amounted to RMB405,828,000, representing an increase of RMB244,559,000 or 151.6% as compared with RMB161,269,000 for the preceding financial year. This was mainly due to the significant increase in interest income, gain on disposal of subsidiaries and fair value gains on financial assets at fair value through profit or loss ("FVPL") during the Reporting Period. In particular, in October 2020, the Group disposed of its 80% equity interests in its subsidiary, Seenew Medical, and recognized a gain of RMB70,608,000; in addition, the financial assets at FVPL mainly represented the gain on changes in fair value of RMB36,097,000 recognized by Shandong ShuYu Civilian Pharmacy Corp. Ltd.^ (山東漱玉平民大藥房連鎖股份有限公司).

— Fulfillment

Warehousing, logistics and customer service expenses, commissions on the Tmall Platform, payment of handling fees and relevant staff costs incurred by the Group's pharmaceutical direct sales business were included in fulfillment costs. Fulfillment costs for the year ended March 31, 2021 amounted to RMB1,619,459,000, representing an increase of RMB521,205,000 or 47.5% from RMB1,098,254,000 for the preceding financial year. Such increase was mainly due to the rapid growth in revenue of the pharmaceutical direct sales business. During the Reporting Period, fulfillment costs as a percentage of revenue of pharmaceutical direct sales business was 12.3%, decreased by approximately 1.2 percentage points as compared with 13.5% for the preceding financial 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, 2021 amounted to RMB1,222,008,000, representing an increase of RMB499,288,000 or 69.1% as compared with RMB722,720,000 for the preceding financial year. Such increase was mainly due to the continuous investment made by the Group to enhance brand awareness of its direct stores, acquire user traffics and new customers and improve their purchasing frequency. Meanwhile, the Group also continued to increase the headcount of its sales and operation functions and operation personnel of innovative business segments such as the launch of "Dr. Deer" APP.

— Administrative expenses

Administrative expenses for the year ended March 31, 2021 amounted to RMB293,595,000, representing an increase of RMB73,622,000 or 33.5% as compared with RMB219,973,000 for the preceding financial year. Such increase was mainly attributable to rapid business growth which led to an increase in relevant management personnel costs, back-end supporting, shared service costs, and professional costs. Administrative expenses accounted for 1.9% of the Group's total revenue for the year, lower than 2.3% for the preceding financial year, which was benefited from the sound cost controls and the emerging economies of scale.

– Product development expenses

Product development expenses for the year ended March 31, 2021 amounted to RMB423,632,000, representing an increase of RMB170,789,000 or 67.5% as compared with RMB252,843,000 for the preceding financial year. Such increase was mainly due to the Group's continuous investment in personnel of research and development function. During the Reporting Period, the Group continued to recruit more information technology engineers to further invest in ongoing development of medical and healthcare services and products such as "Dr. Deer" APP, as well as to support the rapid growth in its pharmaceutical business.

– Finance costs

Finance costs for the year ended March 31, 2021 amounted to RMB2,449,000, representing a decrease of RMB19,516,000 or 88.9% from RMB21,965,000 for the preceding financial year. Such decrease was mainly attributable to the fact that no relevant interest on borrowings incurred during the year given that the Group's borrowings from Alibaba Group were fully repaid during the preceding financial year.

– Share of losses of joint ventures

Share of losses of joint ventures represented the share of net operating results of the Group's 45%-owned joint venture, Zhejiang Bianque Health Data Technology Company Limited^ (浙江扁鵲健康數據技術有限公司) ("Zhejiang Bianque") and our 13.72%-owned joint venture, Jiangsu Zijin Hongyun Health Industry Investment LLP^ (江蘇紫金弘雲健康產業投資合夥企業(有限合夥)). For the year ended March 31, 2021, share of losses of joint ventures was RMB11,556,000, while share of losses of joint ventures of RMB12,737,000 was recorded for the preceding financial year. The share of losses of joint ventures was mainly attributable to the fact that Zhejiang Bianque was still at an early stage of investment and operation during the Reporting Period.

– Share of losses of associates

The Group actively invests in the healthcare segment. Benefitting from the services provided to consumers and patients during the COVID-19 outbreak, pharmaceutical new retail chains in which the Group made strategic investments last year experienced growth in sales and recorded reduction in losses or positive profits. The Group's share of losses of associates for the Reporting Period amounted to RMB26,857,000, representing an increase of RMB5,562,000 or 26.1% as compared with the share of losses of associates of RMB21,295,000 recorded for the preceding financial year. The share of losses of associates for the year was mainly attributable to the delayed progress of projects of certain associates of the Group providing services to hospitals due to the impact of COVID-19, and the fact that some associates were still in the transformation or growing stage.

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

The Group's profit for the year ended March 31, 2021 amounted to RMB342,680,000, compared with a loss of RMB15,696,000 for the preceding financial year. The Group's adjusted net profit for the year ended March 31, 2021 amounted to RMB630,663,000, representing a significant increase of RMB419,359,000 or 198.5% as compared with adjusted net profit of RMB211,304,000 for the preceding financial year. Adjusted net profit is based on the profit/(loss) for the corresponding period after excluding non-operating profit or loss items such as share-based compensation expenses, change in fair value of financial assets at FVPL (non-current portion), gain or loss on disposal of subsidiaries (net of tax), gain or loss on deemed partial disposal of associates (net of tax), and gain or loss on disposal of associates (net of tax). The increase in adjusted net profit was mainly attributable to the speedy growth and economies of scale of the Group's pharmaceutical e-commerce platform business and pharmaceutical direct sales business. The profitability of the Group continued to improve, which will lay a solid foundation for our further investments and deployments in prescription drugs and chronic disease services, medical and healthcare services, medical and pharmaceutical digital infrastructure and other long-term business opportunities.

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

The adjusted net profit for the years ended March 31, 2021 and 2020 set out in the table below represents adjustments to the most direct and comparable financial indicator calculated and presented in accordance with HKFRSs (i.e. loss for the year):

	For the year ended March 31,	
	2021	2020
	RMB'000	*RMB'000*
Profit/(loss) for the year	**342,680**	(15,696)
Excluding		
— Share-based compensation	**396,959**	277,139
— Fair value gains on financial assets at FVPL, net of tax	**(46,704)**	—
— Gain on disposal of a subsidiary, net of tax	**(52,956)**	—
— Gain on deemed partial disposal of an associate, net of tax	**(9,316)**	(33,795)
— Gain on disposal of associates, net of tax	**—**	(16,344)
Adjusted net profit	**630,663**	211,304

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

The cash and other liquid financial resources of the Group as at March 31, 2021 and the corresponding comparative figures as at March 31, 2020 were summarized as follows:

	As at March 31,	
	2021	2020
	RMB'000	*RMB'000*
Cash and cash equivalents	**11,636,769**	2,594,981
Short-term investment at FVPL		
— Wealth management products	**—**	402,485
Cash and other liquid financial resources	**11,636,769**	2,997,466

Cash and cash equivalents increased by RMB9,041,788,000 or 348.4% from RMB2,594,981,000 as at March 31, 2020 to RMB11,636,769,000 as at March 31, 2021. Such increase mainly reflected the net inflows generated from the Group's cash flow from operating activities during the Reporting Period and net proceeds from the Group's placing completed on August 12, 2020.

Short-term investment at FVPL was short-term investment in high liquidity bank wealth management products with original maturity of no more than three months (including three months). Cash flows of the Group for the years ended March 31, 2021 and 2020 were as follows:

	For the year ended March 31,	
	2021	2020
	RMB'000	*RMB'000*
Net cash flows generated from operating activities	**1,009,427**	583,615
Net cash flows (used in)/generated from investing activities	**(4,961,484)**	1,345,385
Net cash flows generated from financing activities	**8,922,408**	328,814
Net increase in cash and cash equivalents	**4,970,351**	2,257,814
Cash and cash equivalents at the beginning of the year	**2,594,981**	280,371
Effects of exchange rate changes	**(313,057)**	56,796
Cash and cash equivalents at the end of the year	**7,252,275**	2,594,981
Time deposits with original maturity of over three months when acquired	**4,384,494**	—
Cash and cash equivalents as stated in the consolidated statement of financial position	**11,636,769**	2,594,981

– Net cash flows generated from operating activities

For the year ended March 31, 2021, net cash flows generated from operating activities amounted to RMB1,009,427,000, which was primarily attributable to our profit before income tax from continuing operations of RMB401,219,000, as adjusted by: (i) non-cash or non-operating activities expense items, which primarily comprised addition of share-based compensation expenses of RMB396,959,000, and deduction of bank and other interest income of RMB165,415,000; (ii) changes in working capital, which primarily comprised an increase in trade and bills payables of RMB715,780,000, an increase in other payables and accruals of RMB170,630,000, an increase in prepayments, other receivables and other assets of RMB341,917,000, and an increase in inventories of RMB283,826,000; and (iii) addition of interest received of RMB132,635,000.

– Net cash flows used in investing activities

For the year ended March 31, 2021, net cash outflows used in investing activities was RMB4,961,484,000, which was primarily attributable to the net cash used in the purchase of fixed deposits for a term of over three months of RMB4,384,494,000, acquisition of interest in associates of RMB275,574,000, and the net cash used in the purchase and redemption of financial assets at FVPL of RMB64,546,000 during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

– Net cash flows generated from financing activities

For the year ended March 31, 2021, net cash flows generated from financing activities was RMB8,922,408,000, which was primarily attributable to net proceeds of RMB8,917,172,000 from the Group's placing completed during the Reporting Period. In addition, RMB76,542,000 was received upon exercise of options during the Reporting Period.

– Gearing ratio

As at March 31, 2021, the Group did not have any borrowings, and hence no gearing ratio was shown (March 31, 2020: Nil).

As at March 31, 2021, the Group did not have any material contingent liabilities and had not pledged any Group assets for bank loans and banking facilities.

The Group's operations and transactions are principally conducted in the PRC. The Group prudently managed its treasury functions and maintained a healthy liquidity position throughout the year ended March 31, 2021. The board (the "Board") of directors (the "Directors") 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 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, 2021 was 1,033 (March 31, 2020: 990). Total staff costs of the Group for the year ended March 31, 2021 amounted to RMB934.7 million (For the year ended March 31, 2020: RMB685.7 million). All staff employed by the Group in Hong Kong participated in the Mandatory Provident Fund Scheme.

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

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

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

Investment

The Group engaged in trading of short-term and liquid investments and financial assets ranging from unit trusts, structured deposits and other wealth management during the year in accordance with its treasury policy initially adopted in June 2015 to utilize surplus cash reserves for treasury management purpose. The Company's treasury policy sets out the selection guidelines and relevant approval procedures for acceptable short-term investments and financial assets with reference to its risk management policy. According to such treasury policy, the Company invests in products including non-equity financial asset investments with strong liquidity which can be realized either at any time or within a short period of time. Such investments shall be subscribed from financial institutions in the approved list, which shall be reviewed every two years. During the Reporting Period, such financial institutions included various branches of the China Merchant Bank, Bank of Ningbo, Pudong Development Bank, Huaxia Bank, Minsheng Bank, Bank of China and Ping An Bank. According to the Company's prevailing approval procedures, any investment decision related to financial assets shall be approved by the financial and treasury manager of the Company, and shall, depending on the size of the investment, be approved by the financial controller or chief financial officer. The Company had no short-term investments at FVPL as at March 31, 2021 (March 31, 2020: RMB402.5 million). During the Reporting Period, (i) the Company had not disposed of any investment at FVPL, and the decrease in the total value of such short-term investments was due to repurchases of the short-term investment products upon expiry during the year by issuers in accordance with their relevant terms; and (ii) the Company realized fair value gains of approximately RMB0.93 million.

Capital Increase Agreement and Equity Transfer Agreement

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

Upon completion of the Capital Increase Agreement in November 2020, the registered capital of the Target Company increased to RMB19,569,471 and the Target Company was held as to 26.47% by Alibaba Health Beijing and 3.53% by Hongyun Jiukang. On September 23, 2020, Hongyun Jiukang entered into an equity transfer agreement (the "Equity Transfer Agreement") with the Target Company, pursuant to which Hongyun Jiukang shall transfer its 80% equity interest in Seenew Medical to the Target Company as in-kind contribution under the Capital Increase Agreement. Upon completion of the Equity Transfer Agreement in November 2020, Seenew Medical was held as to 80% by the Target Company and 20% by Shanghai Yujun Business Management Partnership Enterprise (Limited Partnership)^ (上海羽雋企業管理合夥企業(有限合夥)).

Mr. WU Yongming ("Mr. Wu") is a non-executive Director and therefore a controller of the Company within the meaning of Rule 14A.28(1) of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Since Suzhou Vision Plus and Hangzhou Vision Plus are associates (as defined under the Listing Rules) of Mr. Wu and they are in turn the substantial shareholders of the Target Company (prior to the completion of the Capital Increase Agreement), the transactions contemplated under the Capital Increase Agreement and Equity Transfer Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules. For further information in relation to the Capital Increase Agreement and Equity Transfer Agreement as well as the parties involved in this transaction, please refer to the announcement and 2020 Interim Report issued by the Company on September 23, 2020 and December 17, 2020, respectively.

^ *For identification purpose only*

DIRECTORS' REPORT

The Board of Alibaba Health Information Technology Limited presents its report and the audited financial statements for the year ended March 31, 2021.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the Group is primarily engaged in the pharmaceutical direct sales business, pharmaceutical e-commerce platform business, medical and healthcare services business and digital infrastructure 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 paragraph headed "Business Review" in the section headed "Management Discussion and Analysis" of this report on pages 6 to 14.

Analysis of Performance and Financial Position

The key financial figures and financial position of the Group for the year ended March 31, 2021 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 14 to 22.

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, 2021 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 sales business, pharmaceutical e-commerce platform business, medical and healthcare services business and digital infrastructure business), its employment and labor 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, 2021 was 1,033 (990 as at March 31, 2020). 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, 2021 and the financial position of the Group as at that date are set out in the financial statements on pages 115 to 118.

The Board does not recommend the payment of a final dividend for the year ended March 31, 2021 (for the year ended March 31, 2020: 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 230. This summary does not form part of the audited financial statements.

SHARE CAPITAL, SHARE OPTIONS AND RSUs

Details of movements in the Company's share capital, share options and RSUs during the year ended March 31, 2021 are set out in notes 28 to 29 to the consolidated financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended March 31, 2021, 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 2,000,000 shares of the Company on the market to satisfy the Share Awards granted to connected grantees of the Company upon vesting.

ISSUE FOR CASH OF EQUITY SECURITIES

Placing of New Shares under General Mandate

On August 5, 2020, the Company entered into a placing agreement (the "Placing Agreement") with Citigroup Global Markets Limited and Credit Suisse (Hong Kong) Limited (the "Placing Agents") in relation to the placing of an aggregate of 498,753,118 new ordinary shares of the Company (the "Placing Share(s)") at the placing price of HK$20.05 per Placing Share (exclusive of brokerage, transaction levy of the Securities and Futures Commission and trading fee of the Stock Exchange payable by the purchasers) (the "Placing Price") on the terms and conditions set out in the Placing Agreement (the "Placing"). The aggregate nominal value of the Placing Shares was HK$4,987,531.18. The Placing Price of HK$20.05 per Placing Share represents (i) a discount of approximately 8.03% to the closing price of HK$21.80 per share as quoted on the Stock Exchange on August 4, 2020, being the last trading day immediately prior to the date of the Placing Agreement; and (ii) a discount of approximately 6.18% to the average closing price of HK$21.37 per share as quoted on the Stock Exchange for the last five consecutive trading days up to and including August 4, 2020, being the date immediately prior to the date of the Placing Agreement. The aggregate net proceeds from the Placing was HK$9,964.2 million, representing a net Placing Price of approximately HK$19.98 per Placing Share. As stated in the daily quotation sheets issued by the Stock Exchange, on August 5, 2020, being the date which the Placing Agreement was entered into, the closing price per share was HK$21.25. The Group conducted the Placing based on its insights into, and optimism for the prospects of, the Internet healthcare industry, as well as the need for the Group to further develop its healthcare business and continue its rapid development. The Group viewed the Placing as an opportunity for the Group to raise capital while broadening its shareholder and capital base.

DIRECTORS' REPORT

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

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

As at March 31, 2021, the Group had applied the Placing Net Proceeds as follows:

Use of Placing Net Proceeds	**Planned use of Placing Net Proceeds as disclosed in the Placing Announcements**	**Actual use of Placing Net Proceeds for the year ended March 31, 2021**	**Unutilized Placing Net Proceeds**	**Expected timeframe for utilizing the Placing Net Proceeds**[(Note)]
Develop the Group's pharmaceutical and healthcare omni-channel business and medical and healthcare services business	Approximately HK$7,971.4 million — HK$8,967.8 million	HK$906.3 million	HK$7,065.1 million — HK$8,061.5 million	April 1, 2021– December 31, 2022
Further develop the Group's digital infrastructure and innovative business	Approximately HK$996.4 million — HK$1,992.8 million	HK$116.6 million	HK$879.8 million — HK$1,876.2 million	April 1, 2021– December 31, 2022

Note:

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

Issue of New Shares under Specific Mandate

On July 12, 2019, a total of 302,976,000 ordinary shares (the "Subscription Shares") of the Company were issued to Ali JK Nutritional Products Holding Limited ("Ali JK") and Antfin (Hong Kong) Holding Limited ("Antfin") for a total cash consideration of HK$2,272,320,000 (the "Subscription Net Proceeds") at a net subscription price of approximately 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 aggregate nominal value of the Subscription Shares was HK$3,029,760. The transactions under the Subscription Agreements (the "Subscriptions") therefore constituted connected transactions of the Company in accordance with the Listing Rules. As stated in the daily quotation sheets issued by the Stock Exchange, on May 23, 2019 and July 12, 2019, being the date which the Subscription Agreements were entered into and the date of issue of the Subscription Shares, respectively, the closing price per share was HK$7.58 and HK$7.15, respectively. The Subscription Shares were allotted and issued under the specific mandate granted by the Shareholders at the special general meeting of the Company held on July 10, 2019. The Subscriptions enabled the Group to raise funds for its expanding business operations and to maintain a healthy cash position, while keeping its borrowings and the corresponding interest expenses low. For further details of the Subscriptions, please refer to the announcement dated May 23, 2019 and the circular (the "Subscription Circular") dated June 24, 2019 of the Company.

As at March 31, 2021, the Group had applied the Subscription Net Proceeds as follows:

Use of Subscription Net Proceeds	Planned use of Subscription Net Proceeds as disclosed in the Subscription Circular	Actual Use of Subscription Net Proceeds for the year ended March 31, 2021	Unutilized Subscription Net Proceeds[1]	Expected timeframe for utilizing the Subscription Net Proceeds[2]
Repayment of loans for funding ongoing business operations and expansion and recruitment of personnel to develop Internet-based medical services and intelligent medicine services	HK$1,136,160,000	Nil	Nil	Not applicable
Previous committed investments and investment projects under review	HK$568,080,000	HK$518,400,000	Nil	Not applicable
Future strategic investment opportunities	HK$568,080,000	HK$255,852,000	HK$312,228,000	April 1, 2021– December 31, 2021

Note:

(1) As at March 31, 2021, the unutilized Subscription Net Proceeds amounted to HK$312,228,000 (As at March 31, 2020: HK$1,086,480,000).

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

Save as disclosed above and the options exercised by the relevant grantees under the Share Award Scheme as disclosed in this report, the Company had not issued for cash any equity securities (including securities convertible into equity securities) for the Reporting Period and no other proceeds has been brought forward from any issue of securities for cash as at March 31, 2021.

DEBENTURES

During the year ended March 31, 2021, the Company did not issue any debentures.

EQUITY-LINKED AGREEMENTS

During the year ended March 31, 2021, 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 RMB43,281,281,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended March 31, 2021, 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 90 to 108 of this report.

DIRECTORS

The Directors during the year ended March 31, 2021 and up to the date of this report were:

Executive Directors:

Mr. ZHU Shunyan
Mr. TU Yanwu (appointed on October 23, 2020)
Mr. WANG Qiang (resigned on October 23, 2020)

Non-executive Directors:

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

Independent Non-executive Directors:

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

Since the date of the annual report for the financial year ended March 31, 2020 published by the Company on May 27, 2020 for (the "2020 Annual Report"), the changes to the information which are required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules are as below:

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

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

— Mr. XU Hong was appointed as a non-executive director of Sun Art Retail Group Limited (Stock Code: 6808), a company listed on the Main Board of the Stock Exchange, with effect from December 22, 2020.

In accordance with bye-law 83 and bye-law 84 of the bye-laws of the Company, Mr. TU Yanwu, Mr. LUO Tong, Mr. WONG King On, Samuel and Ms. HUANG Yi Fei (Vanessa) will retire at the forthcoming annual general meeting of the Company to be held on July 30, 2021 (the "2021 AGM"). Mr. TU Yanwu, Mr. LUO Tong, Mr. WONG King On, Samuel and Ms. HUANG Yi Fei (Vanessa), being eligible, will offer themselves for re-election at the 2021 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.

During the Reporting Period and up to the date of this report, (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 (the "Audit Committee") and the remuneration committee (the "Remuneration Committee") of the Company was fully compliant with Rule 3.10(1), Rule 3.10A, Rule 3.21 and Rule 3.25 of the Listing Rules. 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 64 to 67 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 7 to the consolidated financial statements in this report. During the year ended March 31, 2021, 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 29 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"), July 10, 2019 (the "2019 Specific Mandate") and July 30, 2020 (the "2020 Specific Mandate"), respectively. The total number of shares underlying the Share Awards granted which remained outstanding as at March 31, 2021 amounted to 79,396,914, of which 3,104,250 were granted pursuant to the 2015 Specific Mandate, 2,017,750 were granted pursuant to the 2016 Specific Mandate, 14,096,389 were granted pursuant to the 2017 Specific Mandate, 17,998,633 were granted pursuant to the 2018 Specific Mandate, 34,365,219 were granted pursuant to the 2019 Specific Mandate and 7,814,673 were granted pursuant to the 2020 Specific Mandate. As at March 31, 2021 and the date of this report, Share Awards in respect of a total of 380,350,562 underlying shares, which represent approximately 2.82% of the total issued shares as at March 31, 2021 and the date of this report, remain available to be granted under the Share Award Scheme under the 2020 Specific Mandate.

DIRECTORS' REPORT

Movements of the options and RSUs under the Share Award Scheme during the year ended March 31, 2021 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, 2020	Date of grant/ conditional grant[16]	Granted during the year	Exercise price *(HK$)*	Options exercised during the year[17]	Options or RSUs lapsed/ cancelled during the year	RSUs vested during the year	Number of shares represented by options or RSUs outstanding as at March 31, 2021
Directors of the Company									
Mr. ZHU Shunyan	Options	–	June 15, 2020[1]	2,900,000	19.940	–	–	–	2,900,000
	RSUs	–	June 15, 2020	500,000	–	–	–	–	500,000
Mr. WANG Qiang	Options	4,000,000	October 10, 2017[2]	–	4.400	3,000,000	1,000,000	–	–
(resigned on October 23,	RSUs	450,000	October 10, 2017	–	–	–	225,000	225,000	–
2020)	RSUs	150,000	June 8, 2018	–	–	–	150,000	–	–
	RSUs	336,750	June 14, 2019	–	–	–	336,750	–	–
	Options	–	June 15, 2020[1]	292,500	19.940	–	292,500	–	–
	RSUs	–	June 15, 2020	117,000	–	–	117,000	–	–
Mr. WANG Lei	Options	285,250	July 29, 2016[3]	–	5.558	285,250	–	–	–
(resigned on October 23,	RSUs	95,000	July 29, 2016	–	–	–	–	95,000	–
2020)	RSUs	1,213,500	June 14, 2017	–	–	–	–	1,213,500	–
Mr. TU Yanwu	Options	–	June 15, 2020[1]	145,000	19.940	–	–	–	145,000
	RSUs	115,500	June 14, 2019	–	–	–	–	38,500	77,000
	RSUs	770,000	September 18, 2019	–	–	–	–	–	770,000
	RSUs	–	June 15, 2020	58,000	–	–	–	–	58,000
Employees of the Group	Options	1,133,000	September 7, 2015[4]	–	5.184	625,000	–	–	508,000
	Options	760,500	April 28, 2016[5]	–	5.320	544,000	–	–	216,500
	Options	5,056,250	July 29, 2016[3]	–	5.558	2,676,500	–	–	2,379,750
	RSUs	1,251,250	July 29, 2016	–	–	–	13,250	1,238,000	–
	Options	295,500	October 11, 2016[6]	–	4.416	295,500	–	–	–
	RSUs	56,000	October 11, 2016	–	–	–	–	56,000	–
	Options	2,460,500	February 2, 2017[7]	–	3.626	1,295,250	117,750	–	1,047,500
	RSUs	573,750	February 2, 2017	–	–	–	58,750	515,000	–
	Options	116,000	February 22, 2017[8]	–	3.610	–	–	–	116,000
	RSUs	167,500	February 22, 2017	–	–	–	–	167,500	–
	Options	1,377,500	June 14, 2017[9]	–	3.902	523,250	–	–	854,250
	RSUs	4,190,000	June 14, 2017	–	–	–	281,500	3,908,500	–
	Options	5,433,000	August 3, 2017[10]	–	3.686	2,417,750	283,000	–	2,732,250
	RSUs	1,626,800	August 3, 2017	–	–	–	141,250	841,050	644,500
	Options	2,856,500	October 10, 2017[2]	–	4.400	568,750	–	–	2,287,750
	RSUs	1,134,500	October 10, 2017	–	–	–	–	719,500	415,000
	Options	809,500	February 1, 2018[11]	–	4.144	–	–	–	809,500
	RSUs	854,527	February 1, 2018	–	–	–	146,000	434,777	273,750
	Options	4,095,000	June 8, 2018[12]	–	7.240	4,095,000	–	–	–
	RSUs	16,167,807	June 8, 2018	–	–	–	1,870,499	7,363,669	6,933,639
	RSUs	8,002,000	July 31, 2018	–	–	–	1,029,000	3,385,500	3,587,500
	RSUs	7,442,868	October 10, 2018	–	–	–	3,857,329	2,157,248	1,428,291
	RSUs	3,950,220	January 31, 2019	–	–	–	614,943	1,781,435	1,553,842
	RSUs	19,755,700	June 14, 2019	–	–	–	2,448,350	5,955,350	11,352,000
	RSUs	8,745,227	August 2, 2019	–	–	–	555,222	1,917,628	6,272,377
	RSUs	1,354,846	September 18, 2019	–	–	–	–	44,898	1,309,948
	RSUs	4,308,513	February 24, 2020	–	–	–	940,000	355,995	3,012,518
	RSUs	3,049,083	March 16, 2020	–	–	–	130,711	813,409	2,104,963
	Options	–	June 15, 2020[1]	2,741,339	19.940	–	–	–	2,741,339
	RSUs	–	June 15, 2020	13,966,032	–	–	1,102,570	20,388	12,843,074
	Options	–	September 15, 2020[13]	119,000	18.660	–	–	–	119,000
	RSUs	–	September 15, 2020	4,244,776	–	–	87,500	95,253	4,062,023
	RSUs	–	December 15, 2020	1,966,950	–	–	6,000	–	1,960,950
	RSUs	–	March 15, 2021	1,708,000	–	–	50,000	–	1,658,000
Employees of	Options	–	June 15, 2020[1]	500,000	19.940	–	–	–	500,000
the affiliates of	RSUs	–	June 15, 2020	1,272,000	–	–	64,000	–	1,208,000
the Company	RSUs	–	September 15, 2020	14,700	–	–	–	–	14,700

Notes:

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

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

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

(4) The closing price per share 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.

(5) 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.

(6) 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.

(7) 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.

(8) 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.

(9) 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.

(10) 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.

(11) 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.

(12) 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.

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

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

(15) The weighted average closing price of the shares immediately before the dates on which the options granted to the employees were exercised calculated by the closing price per Share as stated in the daily quotation sheets issued by the Stock Exchange is HK$20.680 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, 2021, please refer to note 2.4 (Share-based payments) and note 29 to the Group's consolidated financial statements for the year ended March 31, 2021.

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

As at March 31, 2021, 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**	**Approximate percentage of the Company's share capital**
Mr. ZHU Shunyan	Equity derivative interests[1]	3,400,000	0.03%
Mr. TU Yanwu	Beneficial owner and equity derivative interests[2]	1,088,500	0.01%
Mr. WU Yongming	Beneficial owner	1,262,000	0.01%

Notes:

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

(2) Mr. TU Yanwu beneficially held 38,500 Shares and subject to vesting, he is interested in 1,050,000 Shares underlying 145,000 Options and 905,000 RSUs granted to him in accordance with the Share Award Scheme.

Long positions in shares and underlying shares of Alibaba Holding, an associated corporation of the Company within the meaning of Part XV of the SFO.

Name of Director	Nature of interest	Number of shares/ underlying shares held	Approximate percentage of issued shares of associated corporation
Mr. ZHU Shunyan	Beneficial owner, equity derivative interests and interests of spouse[(1)]	2,467,224*	0.01%
Mr. WU Yongming	Beneficial owner and interests of spouse[(2)]	1,632,000*	0.01%
	Founder of a discretionary trust[(3)]	37,696,872*	0.17%
Mr. XU Hong	Beneficial owner and equity derivative interests[(4)]	491,112*	0.00%

Notes:

(1) These interests represented 2,021,224* ordinary shares or underlying ordinary shares and 286,000* restricted share units beneficially held by Mr. ZHU Shunyan and 160,000* ordinary shares or underlying shares held by his spouse.

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

(3) These interests represented 37,696,872* ordinary shares or underlying ordinary shares held by two private discretionary trusts whereby Mr. WU Yongming is the founder.

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

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

Save as disclosed above, as at March 31, 2021, 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, 2021, 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	8,596,939,415	63.74%
Perfect Advance Holding Limited	(1)	Beneficial owner	3,103,816,661	23.01%
	(1)	Persons acting in concert	932,337,347	6.91%
Alibaba Investment Limited	(1)	Interest of controlled corporation	4,036,154,008	29.92%
Innovare Tech Limited	(1)	Beneficial owner	932,337,347	6.91%
	(1)	Persons acting in concert	3,103,816,661	23.01%
Yunfeng Fund II, L.P.	(1)	Interest of controlled corporation	4,036,154,008	29.92%
Yunfeng Investment GP II, Ltd.	(1)	Interest of controlled corporation	4,036,154,008	29.92%
Yunfeng Investment II, L.P.	(1)	Interest of controlled corporation	4,036,154,008	29.92%
Mr. YU Feng	(1)	Interest of controlled corporation	4,036,154,008	29.92%
Mr. MA Yun	(1)	Interest of controlled corporation	4,096,730,008	30.37%
Ali JK Nutritional Products Holding Limited	(1)	Beneficial owner	4,560,785,407	33.81%
Uni-Tech International Group Limited	(2)	Beneficial owner	777,484,030	5.76%
21CN Corporation	(2)	Interest of controlled corporation	777,484,030	5.76%
Pollon Internet Corporation	(2)	Interest of controlled corporation	777,484,030	5.76%
Ms. CHEN Xiao Ying	(2)	Interest of controlled corporation	777,484,030	5.76%

Notes:

(1) Perfect Advance Holding Limited ("Perfect Advance") holds 3,103,816,661 shares of the Company and Innovare Tech Limited ("Innovare") holds 932,337,347 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 932,337,347 shares in the Company held by Innovare.

Alibaba Investment Limited ("AIL") is wholly-owned by Alibaba Holding. Innovare is wholly controlled by Yunfeng Fund II, L.P., which is a direct wholly-owned subsidiary of Yunfeng Investment II, L.P. and an indirect wholly-owned subsidiary of Yunfeng Investment GP II, Ltd. Yunfeng Investment GP II, Ltd. is owned by Mr. MA Yun as to 40% and Mr. YU Feng as to 60%. Accordingly, (i) each of Yunfeng Fund II, L.P., Yunfeng Investment II, L.P., Yunfeng Investment GP II, Ltd. and Mr. YU Feng is also deemed to have an interest in 4,036,154,008 shares via Innovare; and (ii) Mr. MA Yun is deemed to have an interest in 4,036,154,008 shares via Innovare and 60,576,000 shares via Antfin (Hong Kong) Holding Limited through his controlled corporations within the meaning of Part XV of the SFO.

Ali JK 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 8,596,939,415 shares via Perfect Advance and Ali JK within the meaning of Part XV of the SFO.

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

Save as disclosed above, as at March 31, 2021, 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, 2021, 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 27, 2020, 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 (for itself and on behalf of its subsidiaries and affiliates), entered into the renewed cloud computing services agreement (the "2021 Cloud Computing Services Agreement") with Alibaba Cloud (for itself and on behalf of its subsidiaries and affiliates), 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, 2020 to March 31, 2021. The annual cap for the service fees payable by Alibaba Health (China) to Alibaba Cloud under the 2021 Cloud Computing Services Agreement was RMB50 million. The aggregate service fees incurred under the 2021 Cloud Computing Services Agreement during the year ended March 31, 2021 amounted to approximately RMB4.6 million (2020: approximately RMB5.8 million).

On March 30, 2021, the same parties entered into the renewed cloud computing services framework agreement (the "2022 Cloud Computing Services Framework 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, 2021 to March 31, 2022, with an annual cap of RMB118 million.

The 2021 Cloud Computing Services Agreement and the 2022 Cloud Computing Services Framework 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 2021 Cloud Computing Services Agreement and the 2022 Cloud Computing Services Framework Agreement thus constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(b) Continuing Connected Transaction — Outsourced Services Framework Agreement

On March 27, 2020, Taobao Holding Limited ("Taobao Holding", together with its subsidiaries and affiliates, "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 Information (Beijing)") 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 Information (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 March 27, 2020) (the "Relevant Categories"). The annual cap for the service fees payable to the Group during the term of the 2021 Outsourced Services Framework Agreement was RMB210 million and the aggregate service fees received by the Group under the 2021 Outsourced Services Framework Agreement during the year ended March 31, 2021 amounted to approximately RMB105.7 million (2020: RMB93.8 million).

On March 30, 2021, Taobao Holding and Alibaba Health Technology (Hainan) Co., Ltd.^ (阿里健康科技(海南)有限公司) (for itself and on behalf of its subsidiaries) ("Alibaba Health (Hainan)") entered into the renewed outsourced services framework agreement (the "2022 Outsourced Services Framework Agreement") for a term of one year from April 1, 2021 to March 31, 2022, pursuant to which Alibaba Health (Hainan) 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 2022 Outsourced Services Framework Agreement was RMB185 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. As such, for the avoidance of doubt, Tmall Global Products and Services (as defined in the announcement of the Company dated March 27, 2020 and referred to in the circular of the Company dated March 11, 2020) have been excluded from the certain product categories or services offered on Tmall from time to time of which Outsourced Services are provided.

Since the Outsourced 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 2021 Outsourced Services Framework Agreement and the 2022 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 2021 Outsourced Services Framework Agreement and the 2022 Outsourced Services Framework Agreement thus constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(c) Continuing Connected Transaction — Platform Services Framework Agreement

On February 7, 2020, the Company (for itself and on behalf of its subsidiaries) entered into a renewed platform services framework agreement with Alibaba Holding (the "2021 Platform Services Framework Agreement") (as supplemented by a supplemental agreement dated April 1, 2020, details of which are set out in the announcement of the Company dated April 1, 2020) for a term of one year from April 1, 2020 to March 31, 2021, 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, 2021 was RMB651 million, as approved by the independent Shareholders at the adjourned special general meeting of the Company held on April 9, 2020. The aggregate service fees incurred under the 2021 Platform Services Framework Agreement for the year ended March 31, 2021 amounted to approximately RMB301.2 million (2020: RMB262.5 million).

On February 5, 2021, the Company and Alibaba Holding entered into the renewed platform services framework agreement (the "2022 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, 2021 and ending on March 31, 2022, with an annual cap of RMB695 million, as approved by the independent Shareholders at the special general meeting of the Company held on March 29, 2021.

The Company believes that by marketing and selling products or services on the online sales platforms operated by the AGH Relevant Entities under the 2021 Platform Services Framework Agreement and the 2022 Platform Services Framework Agreement, the Group will be able to reach out to more customers and improve its understanding of their needs to facilitate product circulation along the pharmaceutical and healthcare products retail chain to offer quality products and services at competitive prices.

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 2021 Platform Services Framework Agreement and the 2022 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 April 9, 2020 and March 29, 2021, respectively, in accordance with the Listing Rules.

(d) Continuing Connected Transactions — Agency Agreement

On March 27, 2020 (as supplemented by an announcement of the Company dated April 1, 2020), Hangzhou Alimama Software Services Co., Ltd.^ (杭州阿里媽媽軟件服務有限公司) (for itself and on behalf of its subsidiaries) ("Alimama"), Alibaba Health (Hong Kong) Technology Company Limited (阿里健康(香港)科技有限公司) (for itself and on behalf of its subsidiaries) ("Alibaba Health (HK)") and Shanghai Quan Tudou Cultural Communications Company Limited^ (上海全土豆文化傳播有限公司) (for itself and on behalf of its subsidiaries) ("Youku") entered into the renewed agency agreement (the "2021 Agency Agreement") for a term of one year commenced on April 1, 2020 and ended on March 31, 2021. Pursuant to the 2021 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 2021 Agency Agreement. The annual cap for the incentive fees to be received by the Group under the 2021 Agency Agreement for the year ended March 31, 2021 was RMB100 million. The aggregate incentive fees received by the Group for the year ended March 31, 2021 amounted to approximately RMB0.1 million (2020: approximately RMB2.9 million).

On March 30, 2021, Alibaba Health (HK) and Alimama entered into the renewed agency agreement (the "2022 Agency Agreement") in relation to the provision of the Marketing Services from Alimama and/or its affiliates to the contracted clients of Alibaba Health Group, for a term of one year commencing on April 1, 2021 and ending on March 31, 2022, with an annual cap of RMB25 million.

By entering into the 2021 Agency Agreement and the 2022 Agency Agreement with Alimama and/or its affiliates, which operate well-established marketing platforms, the Group believes that more diversified 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 Alimama and/or its affiliates is a member of Alibaba Holding, it is an associate of Perfect Advance and hence a connected person of the Company. The transactions contemplated under the 2021 Agency Agreement and the 2022 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 February 7, 2020, Alibaba Health (HK) entered into the renewed logistics services framework agreement (the "2021 Logistics Services Framework Agreement") (as supplemented by a supplemental agreement dated April 1, 2020, details of which are set out in the announcement of the Company dated April 1, 2020) with Hangzhou Cainiao Supply Chain Management Co., Ltd.^ (杭州菜鳥供應鏈管理有限公司) (for itself and on behalf of its subsidiaries and affiliates) ("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 "Logistics Services") to the Group and the Group agreed to pay the service fees. The term of the 2021 Logistics Services Framework Agreement commenced from April 1, 2020 and ended on March 31, 2021. The annual cap for the service fees under the 2021 Logistics Services Framework Agreement was RMB450 million, as approved by the independent Shareholders at the adjourned special general meeting of the Company held on April 9, 2020. The aggregate service fees incurred under the 2021 Logistics Services Framework Agreement for the year ended March 31, 2021 amounted to approximately RMB242.5 million (2020: approximately RMB103.6 million).

On February 5, 2021, the Company entered into the renewed logistics services framework agreement (the "2022 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, 2021 and ending on March 31, 2022 with an annual cap of RMB525 million, as approved by the independent Shareholders at the special general meeting held on March 29, 2021.

As the Company has been selling pharmaceutical and healthcare products 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 2021 Logistics Services Framework Agreement and the 2022 Logistics Services Framework Agreement with Hangzhou Cainiao, to capitalize on the logistics data platform and global fulfilment network of Cainiao Group, and to provide efficient and reliable domestic and international one-stop-shop logistics services to the Group's customers for fulfilling their different logistics needs.

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 2021 Logistics Services Framework Agreement and the 2022 Logistics 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 April 9, 2020 and March 29, 2021, respectively, in accordance with the Listing Rules.

(f) Continuing Connected Transactions — Shared Services Agreement

On March 27, 2020, the Company entered into the renewed shared services agreement (the "2021 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, 2020 to March 31, 2021. The annual cap for the service fees payable under the 2021 Shared Services Agreement was RMB250 million (which was revised to RMB320 million pursuant to an announcement of the Company dated January 18, 2021). The aggregate service fees incurred under the 2021 Shared Services Agreement for the year ended March 31, 2021 amounted to approximately RMB262.1 million (2020: approximately RMB103.4 million).

On March 30, 2021, the same parties entered into the renewed shared services agreement (the "2022 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, 2021 and ending on March 31, 2022, with an annual cap of RMB470 million.

The Company believes that the entering into of the 2021 Shared Services Agreement and the 2022 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 2021 Shared Services Agreement and the 2022 Shared Services Agreement thus constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(g) Connected Transaction — 2021–2023 Framework Technical Services Agreement

On March 27 2020, 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)") entered into the renewed framework technical services agreement (the "2021–2023 Framework Technical Services Agreement"). The term of the 2021–2023 Framework Technical Services Agreement commenced on April 1, 2020 and will end on March 31, 2023, unless otherwise terminated in accordance with the terms thereunder. Pursuant to the 2021–2023 Framework Technical Services Agreement, the Tmall Entities shall provide certain infrastructure technical support (the "Blue Cap Technical Services") for the operation of Tmall in respect of Blue Cap Products (as defined in the announcement of the Company dated March 27, 2020) to Alibaba Health (Hangzhou) for a service fee. The annual cap for the service fees payable under the 2021–2023 Framework Technical Services Agreement was RMB100 million, RMB130 million and RMB170 million, respectively for each of the financial years ended March 31, 2021, and ending March 31, 2022 and 2023, respectively. The aggregate service fees incurred under the 2021–2023 Framework Technical Services Agreement during the year ended March 31, 2021 amounted to approximately RMB69.5 million (2020: approximately RMB59.7 million).

The Company considers the entering into of 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 2021–2023 Framework Technical Services Agreement thus constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(h) Connected Transaction — Framework Technical Services Agreement

On May 28, 2018, the Tmall Entities and Hangzhou Lukang Health Technology Co., Ltd^ (杭州鹿康健康科技有限公司) (formerly known as Hangzhou Hengping Health Technology Co., Ltd^ (杭州衡凴健康科技有限公司)) ("Hangzhou Lukang") entered into the framework technical services agreement (the "2018 Framework Technical Services Agreement"). The term of the 2018 Framework Technical Services Agreement commenced on August 3, 2018, being 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 ended on March 31, 2021. Pursuant to the 2018 Framework Technical Services Agreement, the Tmall Entities shall provide software technical support services relating to the operation of Tmall (the "Software Technical Services") in respect of certain categories of products or services platforms (as specified in the announcement of the Company dated May 29, 2018) to Hangzhou Lukang for a service fee. The annual cap for the service fees payable under the 2018 Framework Technical Services Agreement was RMB315 million, RMB590 million and RMB825 million (which was revised to RMB950 million pursuant to a circular of the Company dated February 5, 2021 and approved by the independent Shareholders at the special general meeting held on March 1, 2021) for each of the financial years ended March 31, 2019, 2020 and 2021, respectively. The aggregate service fees incurred under the 2018 Framework Technical Services Agreement during the year ended March 31, 2021 amounted to approximately RMB794.6 million (2020: approximately RMB500.5 million).

On February 5, 2021, the Tmall Entities entered into the renewed framework technical services agreement (the "2022 Framework Technical Services Agreement") with Alibaba Health (Hangzhou) and Alibaba Health (Hainan), pursuant to which the Tmall Entities agreed to provide the Software Technical Services, for a term of one year commencing from April 1, 2021 and ending on March 31, 2022 with an annual cap of RMB1,250 million, as approved by the independent Shareholders at the special general meeting held on March 29, 2021.

The Company considers the entering into of the 2018 Framework Technical Services Agreement and the 2022 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 and the transactions contemplated under the 2018 Framework Technical Services Agreement and the 2022 Framework Technical Services Agreement thus constitute continuing connected transactions of the Company, and were approved by the independent Shareholders at the special general meetings held on August 1, 2018 and March 29, 2021, respectively, in accordance with the Listing Rules.

(i) Connected Transaction — Share Purchase Agreement and Taobao 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 "Taobao Framework Technical Services Agreement") on February 6, 2020. The term of the Taobao Framework Technical Services Agreement 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 Taobao Framework Technical Services Agreement, 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 Taobao Framework Technical Services Agreement was RMB262 million, RMB464 million and RMB799 million for each of the financial year ended March 31, 2021, and ending March 31, 2022 and 2023, respectively, as approved by the independent Shareholders at the adjourned special general meeting held on April 9, 2020. The service fees incurred under the Taobao Framework Technical Services Agreement during the financial year ended March 31, 2021 amounted to approximately RMB177.9 million.

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 Taobao Framework Technical Services Agreement 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 Taobao Framework Technical Services Agreement thus constitute continuing connected transactions of the Company. Independent Shareholders approved the Share Purchase Agreement and the Taobao Framework Technical Services Agreement and the transactions contemplated thereunder at the adjourned special general meeting held on April 9, 2020 in accordance with the Listing Rules.

(j) Continuing Connected Transactions — Payment Services Framework Agreement

On March 27, 2020, the Company entered into the renewed payment services framework agreement (the "2021 Payment Services Framework Agreement") with Alipay.com Co., Ltd.^ (支付寶(中國)網絡技術有限公司) ("Alipay"), 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 2021 Payment Services Framework Agreement commenced from April 1, 2020 and ended on March 31, 2021. The annual cap for the service fees payable under the 2020 Payment Services Framework Agreement was RMB120 million. The aggregate service fees incurred under the 2021 Payment Services Framework Agreement during the year ended March 31, 2021 amounted to approximately RMB66.1 million (2020: approximately RMB40.4 million).

On March 30, 2021, the same parties entered into the renewed payment services framework agreement (the "2022 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, 2021 and ending on March 31, 2022 with an annual cap of RMB137 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 2021 Payment Services Framework Agreement and the 2022 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 Group Co., Ltd. (螞蟻科技集團股份有限公司) (formerly known as 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") 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 2021 Payment Services Framework Agreement and the 2022 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 27, 2020, Alibaba Health (HK) entered into the renewed tracking services agreement (the "2021 Tracking Services Agreement") with Taobao China Holding Limited (淘寶中國控股有限公司) ("Taobao China"), pursuant to which Alibaba Health (HK) agreed that the Group will provide Taobao China and its subsidiaries with certain tracking services (the "Tracking Services"). The annual cap for the service fees payable under the 2021 Tracking Services Agreement for the year ended March 31, 2021 was RMB10 million and the aggregate service fees incurred under the 2021 Tracking Services Agreement for the year ended March 31, 2021 amounted to approximately RMB1.6 million (2020: approximately RMB2.0 million).

On March 30, 2021, Alibaba Health (HK) entered into the renewed tracking services framework agreement (the "2022 Tracking Services Framework Agreement") with Taobao China, pursuant to which the Group agreed to provide to Taobao China and its subsidiaries and affiliates the Tracking Services for a term commencing on April 1, 2021 and ending on March 31, 2022. The annual cap for the service fees payable under the 2022 Tracking Services Framework Agreement for the year ended March 31, 2021 was RMB5 million.

The provision of tracking services to Taobao China pursuant to the 2021 Tracking Services Agreement and the 2022 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 2021 Tracking Services Agreement and the 2022 Tracking Services Framework Agreement thus constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(I) 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 commenced 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 ended 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, 2021 amounted to approximately RMB7.4 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 and thus the transactions contemplated under the Lease Agreement constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(m) Continuing Connected Transactions — Koubei Services Framework Agreement

On January 3, 2020, Alibaba Health (China), entered into the services framework agreement (the "2021 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 period from January 3, 2020 to March 31 2020, and the financial year ended March 31, 2021 was RMB15 million and RMB95 million, respectively. The aggregate service fees incurred under the Koubei Services Framework Agreement for the period from January 3, 2020 to March 31 2020, and the financial year ended March 31, 2021 was nil and RMB27.0 million, respectively.

On March 30, 2021, the same parties entered into a renewed services framework agreement (the "2022 Koubei Services Framework Agreement"), pursuant to which each party (together with its respective affiliates) agreed to refer merchants providing healthcare and pharmaceutical products and services (the "Counterparties' Platform Services Categories") to the other party (and its affiliates) for registering with platforms operated by such other party (and its affiliates). In doing so, the party who is referring a merchant to the other party shall provide, among other things, promotion services, consultation services and technical support and business development services to merchants, for a term commencing on April 1, 2021 and ending on March 31, 2022. The annual cap for the service fees payable by the Group as a service recipient and chargeable by the Group as a service provider under the 2022 Koubei Services Framework Agreement for the year ending March 31, 2022 was RMB5 million and RMB5 million, respectively.

Each of the Group and Koubei Shanghai (and its affiliates) possesses its respective strengths and merchant network from the operation of the respective e-commerce platforms. By entering into the 2021 Koubei Services Framework Agreement and the 2022 Koubei Services Framework Agreement, the parties will be able to complement their strengths and resources from their respective merchant network to mutually develop, expand and consolidate their merchant base under the Counterparties' Platform Services Categories, while delivering to the merchants more business opportunities and channels to reach end-users by launching their products and services under a wider range of complementary platforms. By establishing a cooperation relationship with Koubei Shanghai and its affiliates, the Group will be able to capitalize on the merchant network of Koubei Shanghai and its affiliates to capture growth opportunities that comes with the rising demand of products and services under the Counterparties' Platform Services Categories.

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 2021 Koubei Services Framework Agreement and 2022 Koubei Services Framework Agreement constitute continuing connected transactions of the Company in accordance with the Listing Rules.

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

On March 27, 2020, the Company entered into the renewed supply and purchase framework agreement (the "Supply and Purchase Framework Agreement") with Alibaba.com Singapore E-Commerce Private Limited (for itself and on behalf of its subsidiaries and affiliates) ("Alibaba Singapore"), pursuant to which the Company has agreed that the Group shall supply and/or purchase various 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") and shall also provide other related services, including daily maintenance, inventory control, pricing, promotional activities and packaging in accordance with the standard agreements and terms and conditions as agreed by the parties from time to time, for a term commenced from April 1, 2020 and ended on March 31, 2021. The annual cap under the Supply and Purchase Framework Agreement was RMB50 million (in relation to supply of products) and RMB150 million (in relation to purchase of products), respectively. The aggregate purchases incurred under the Supply and Purchase Framework Agreement for the year ended March 31, 2021 amounted to approximately RMB10.1 million (2020: approximately RMB30.1 million). The aggregate supplies incurred under the 2021 Supply and Purchase Framework Agreement for the year ended March 31, 2021 amounted to approximately RMB0.2 million (2020: RMB1.6 million).

The Company believes that the entering into the 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 Supply and Purchase Framework Agreement thus constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(o) Continuing Connected Transactions — Advertising Services Framework Agreement

On February 7, 2020, 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 "2021 Advertising Service Framework Agreement") (as supplemented by a supplemental agreement dated April 1, 2020, details of which are set out in the announcement of the Company dated April 1, 2020) for a term commenced from April 1, 2020 and ended on March 31, 2021, 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 2021 Advertising Services Framework Agreement was RMB500 million, as approved by the independent Shareholders at the adjourned special general meeting held on April 9, 2020. The aggregate service fees incurred under the 2021 Advertising Service Framework Agreement for the year ended March 31, 2021 amounted to approximately RMB378.6 million (2020: approximately RMB188.9 million).

On February 5, 2021, the same parties entered into the renewed advertising services framework agreement (the "2022 Advertising Services Framework Agreement") in relation to the provision of the Advertising Services provided by Alibaba Group to the Group for a term of one year commencing from April 1, 2021 and ending on March 31, 2022, with an annual cap of RMB1,150 million, as approved by the independent Shareholders at the special general meeting held on March 29, 2021.

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 2021 Advertising Services Framework Agreement and the 2022 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. The transactions contemplated under the 2021 Advertising Services Framework Agreement and the 2022 Advertising Services Framework Agreement constitute continuing connected transactions for the Company in accordance with the Listing Rules and were approved by the independent Shareholders at the special general meetings held on April 9, 2020 and March 29, 2021, respectively, in accordance with the Listing Rules.

(p) Continuing Connected Transactions — Software Services Framework Agreement

On May 5, 2020 the Company entered into the software services framework agreement (the "2021 Software Services Framework Agreement") with Taobao Holding, pursuant to which the Group shall provide Taobao Group with certain software services including e-commerce platform operation and maintenance, Merchants (as defined in the announcement of the Company dated May 5, 2020) management services, technical development, Merchants admission system and product quality control system (the "Software Services") which enable the Merchants on to sell products and/or offer services offered by the merchants under Tmall and Tmall Global (together, the "Tmall Platforms") for a term commenced from May 5, 2020 to March 31, 2021. The annual cap for the service fees payable under the 2021 Software Services Framework Agreement was RMB148 million. The aggregate service fees incurred under the 2021 Software Services Framework Agreement for the period from May 5, 2020 to March 31, 2021 amounted to approximately RMB34.2 million.

On March 30, 2021, the same parties entered into the renewed software framework services agreement (the "2022 Software Services Framework Agreement"), pursuant to which the Group shall provide the Software Services to the Taobao Group, for a term of one year commencing from April 1, 2021 and ending on March 31, 2022, with an annual cap of RMB43 million.

The Company believes that the entering into of the 2021 Software Services Framework Agreement and the 2022 Software Services Framework Agreement will allow the Group to generate revenue and to better optimize its resources as Alibaba Group's healthcare flagship platform, but also provides marketing opportunities for the Group to expand its product portfolio and broaden its customer base. This enables the Group to capture further market share in view of the rapid growth of the Company's pharmaceutical direct sales business.

As Alibaba Holding is the ultimate shareholder of Taobao Holding, Taobao Holding is an associate of Perfect Advance, and hence a connected person of the Company, the transactions contemplated under the 2021 Software Services Framework Agreement and the 2022 Software Services Framework Agreement thus constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(q) Connected Transactions — Capital Increase Agreement and Equity Transfer Agreement

On September 23, 2020, Alibaba Health (China) and Hongyun Jiukang Data Technology (Beijing) Company Limited^ (弘雲久康數據技術(北京)有限公司) ("Hongyun Jiukang"), both subsidiaries of the Company, entered into the capital increase agreement (the "Capital Increase Agreement") with Come Future Technology (Zhejiang) Company Limited^ (來未來科技(浙江)有限公司) (the "Target Company"), Mr. Qiang Hui (牆輝) and Mr. Wan Weiqin (萬煒欽) (together, the "Target Founders") and the existing shareholders of the Target Company (as specified in the announcement of the Company dated September 23, 2020), pursuant to which Alibaba Health (China) shall inject RMB216 million in cash into the Target Company and Hongyun Jiukang shall make in-kind contribution equivalent to RMB28.8 million to the Target Company by transferring its 80% equity interest in Seenew Medical to the Target Company. Immediately upon completion of the Capital Increase Agreement, the registered capital of the Target Company shall increase to RMB19,569,471 and the Target Company shall be held as to 26.47% by Alibaba Health (China) and 3.53% by Hongyun Jiukang.

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

The Company considers that the experience and expertise of the Target Company will be highly beneficial to the continued advancement of Seenew Medical's products and initiatives in the medical field, laying a solid foundation for the nationwide expansion of its business. By directing the capabilities of the Target Company towards the development and construction of the technological infrastructures underlying Seenew Medical's products, the Group will be able to build on eco-partnerships to achieve a synergistic effect of "1+1>2", bringing benefits to the PRC healthcare market and its participants.

As two of the existing shareholders of the Target Company, namely, Hangzhou Vision Plus Chuangheng Equity Investment Fund Partnership Enterprise (Limited Partnership)^ (杭州圓璟創恒股權投資基金合夥企業(有限合夥)) and Suzhou Vision Plus Equity Investment Partnership Enterprise (Limited Partnership)^ (蘇州圓璟股權投資合夥企業(有限合夥)) (together, the "Vision Plus LPs") are associates of Mr. Wu Yongming, a non-executive Director, and are in turn the substantial shareholders of the Target Company, the transactions contemplated under the Capital Increase Agreement and the Equity Transfer Agreement thus constitute connected transactions of the Company 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 agreements 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 35 to the consolidated financial statements, the Group had no material transactions with its related parties.

The Directors have conducted review of such related party transactions of the Group during the year. In respect of the related party transactions which also constitute connected transactions or continuing connected transaction as defined in Chapter 14A of the Listing Rules, and the Company has complied with the relevant connected transaction requirements under Chapter 14A of the Listing Rules in respect of those connected transactions or continuing connected transactions. The Directors were not aware of any transactions requiring disclosure of connected transactions in accordance with the Listing Rules except for those disclosed 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 structured contracts with respect to two subsidiaries of our Company, 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 operated by the Opcos, and the Opcos, in turn, hold the ICP License and operate the Restricted Businesses. During the financial year ended March 31, 2021 and prior to the restructuring of the Contractual Arrangements on April 25, 2020 as detailed below, the Group has obtained effective control over, and received all the economic benefits generated by, the businesses operated by the Opcos through the series of structured contracts which were disclosed in the 2020 Annual Report. From April 25, 2020 onwards, the Contractual Arrangement is governed by the Structured Contracts (as defined below) detailed below.

Restructuring of the Contractual Arrangement

On April 25, 2020, each of Jiang Fang (蔣芳) and Jin Jian Hang (金建杭) entered into equity transfer agreements with Beijing Jiukangbao Technology Co., Ltd. (北京久康寶科技有限公司) ("Beijing Jiukangbao"), pursuant to which each of Jiang Fang (蔣芳) and Jin Jian Hang (金建杭) agreed to transfer 50% and 50% of the equity interests in each of the Opcos, respectively, to Beijing Jiukangbao, at a total consideration of RMB1,000,000 and RMB5,001,000, respectively. Following the equity transfers, each of the Opcos is owned as to 100% by Beijing Jiukangbao. Beijing Jiukangbao is wholly-owned by Hangzhou Baoxuan Investment Management Co., Ltd.^ (杭州寶軒投資管理有限公司), which is held as to 50% by Hangzhou Chengbao Investment Management Partnership (Limited Partnership)^ (杭州橙寶投資管理合夥企業(有限合夥)) and 50% by Hangzhou Xibao Investment Management Partnership (Limited Partnership)^ (杭州熹寶投資管理合夥企業(有限合夥)), both of which were owned by a group of five individuals whom are not connected persons of the Company.

On the same day, Beijing Jiukangbao, as the new registered owner (the "Registered Owner") of each of the Opcos, has entered into a series of structured contracts (the "Structured Contracts") with respect to the Opcos, pursuant to which our Company continued to maintain effective control and received all the economic benefits generated by, the businesses operated by the Opcos, which in turn hold the ICP License and operate the Restricted Businesses (the "Contractual Arrangements"). Further details in relation to the terms of the Structured Contracts and the Contractual Arrangements are set out below.

The restructuring of the Contractual Arrangements was to align the Group's strategy in diversifying the underlying risks. Through the Structured Contracts and 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, 2021.

(a) Particulars of Opcos and their respective Registered Owner

As at March 31, 2021, the particulars of the Opcos and their respective Registered Owner are as follows:

Name of Opco	Registered owner	Registered capital	Principal activities
Hongyun Jiukang	100% by Beijing Jiukangbao	RMB40,000,000	Provision of Internet information services and investment holding
Alibaba Health Hebei	100% by Beijing Jiukangbao	RMB10,000,000	Provision of Internet information services and investment holding

The following table sets forth the subsidiaries of Hongyun Jiukang as at March 31, 2021. Alibaba Health Hebei did not have any subsidiary as at March 31, 2021.

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%	Inactive
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%	Operation of Internet hospitals
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 technical services
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%	Inactive
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%	Inactive
Alibaba Health Technology (Beijing) Company Limited* (阿里健康科技(北京)有限公司)	Hongyun Jiukang	100%	Provision of pilot cross-border e-commerce services
Jiubaoxing Technology (Hainan) Co., Ltd.^ (久寶星科技(海南)有限公司)	Hongyun Jiukang	100%	Provision of e-commerce sales services
Hangzhou Kangtao Information Technology Co., Ltd.^ (杭州康淘信息技術有限公司)	Hongyun Jiukang	100%	Healthcare related technical services

(b) Summary of the major terms of the Structured Contracts

As at March 31, 2021, in respect of the Contractual Arrangements, there were two sets of ongoing Structured Contracts in place:

(i) in respect of Hongyun Jiukang, entered into among 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), and Beijing Jiukangbao (as the Registered Owner) (as applicable); and

(ii) in respect of Alibaba Health Hebei, entered into among Alibaba Health (China) (as the Company's subsidiary), Alibaba Health Hebei (as the Opco), and Beijing Jiukangbao (as the Registered Owner) (as applicable).

Each of the above sets of Structured Contracts includes substantially similar terms and a brief summary of the major terms are set out below:

(1) Exclusive Service Agreements (獨家服務協議)

Pursuant to the Exclusive Service Agreements, the relevant Opco agreed to engage Alibaba Health (China) as its exclusive provider of technical support and consultancy services (the "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 and Alibaba Health (China) may, subject to mutual agreement, adjust the amount of service fees. Unless otherwise prescribed under the PRC laws and regulations and subject to limitations under the Exclusive 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 Service Agreement. Each of the Exclusive Service Agreements has a term of 20 years and will be automatically renewed for consecutive terms of one year upon expiry unless otherwise notified by Alibaba Health (China). The relevant Exclusive 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 Owner 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 Registered Owner, 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 20 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 Owner 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 Owner in the relevant Opco for a consideration equal to the loan amount. The Registered Owner 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 the Registered Owner and Alibaba Health (China) in accordance with applicable PRC laws.

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

Pursuant to the Equity Interest Pledge Agreements, the Registered Owner 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 Owner. 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 Owner 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 Owner 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 Owner and the relevant Opco under the relevant set of Structured Contracts 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 Owner 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, the Registered Owner irrevocably appointed designee(s) of Alibaba Health (China), who are PRC nationals, to act as its attorney on its behalf to exercise all rights in connection with matters concerning its 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 Owner; (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 Owner sell or transfer all or part of its equity interests pursuant to the Exclusive Option Agreements. The Powers of Attorney on Shareholders' Voting Rights shall remain effective for 20 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 Registered Owner 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 Registered Owner 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, the Registered Owner shall transfer all the consideration it receives in relation to such transfer of equity interests and assets in the relevant Opco (or any proceeds resulting from the dissolution or winding up of the relevant Opco or any dividends or distributions received in the capacity of a Registered Owner) to Alibaba Health (China) or its designee, after deduction of applicable taxes and government fees. Pursuant to the Exclusive Option Agreements, without the prior written consent of Alibaba Health (China), the Registered Owner 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, 2021, 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, 2021	
	Revenue	**Assets**
	(RMB'000) (proportionate % to the Group)	
Hongyun Jiukang	**195,003**	**1,006,593**
	1.26%	**5.67%**
Alibaba Health Hebei	**—**	**87,812**
	0%	**0.5%**

(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 Businesses. 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 Owner 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 Owner 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 regard 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. Save as disclosed, during the financial year ended March 31, 2021, there was no other 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, 2021.

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, 2021. 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, 2021:

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 or shareholders of the following companies: Choice Technology Inc., a company which operates a medical healthcare system 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 an 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.^ (上海易雍健康信息諮詢有限公司), a company engaging in third-party health insurance services, Hangzhou Yunhu Network Technology Co., Ltd.^ (杭州雲呼網絡科技有限公司), a company engaging in the operation of a medical examination resources Internet platform and Come

Future Technology (Zhejiang) Company Limited^ (來未來科技(浙江)有限公司), a company engaging in the operation of enterprise intelligence platforms, Shanghai Fourier Intelligence Technology Limited^ (上海傅利葉智能科技有限公司), a company which provides technological and intelligent rehabilitation equipment and smart rehabilitation solutions, neoX Biotech Inc., a company engaging in AI-driven drug discovery and provision of outsourcing services on drug screening, Beijing Deep Potential Technology Limited^ (北京深勢科技有限公司), a company engaging in the provision of software services on the computation for drug discovery as well as design and research of new materials, Beijing Percutek Therapeutics Co., Ltd.^ (北京華脈泰科股份有限公司), a company engaging in the research, development and manufacture of new Class III medical intervention devices. 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 that he is fully aware of and has been discharging his fiduciary duties to the Company to avoid conflicts of interest. In situations where any conflicts of interest arise, 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, 2021 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 25, 2021

^ *For identification purpose only*

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. ZHU Shunyan, aged 50, was appointed as an executive Director, Chairman of the Board and Chief Executive Officer of the Company on March 16, 2020. Mr. Zhu is a partner of the Alibaba Partnership and 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 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"). 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. TU Yanwu, aged 43, has been the chief financial officer of the Company since April 2020, and is responsible for the overall financial management and the formulation and implementation of the Group's strategies. Prior to that, Mr. Tu was a senior finance director of the Group from September 2019 to March 2020, and was seconded to Guizhou Ensure Chain Pharmacy Company Limited^ (貴州一樹連鎖藥業有限公司) to act as its chief financial officer and senior vice president from October 2018 to August 2019. Before joining the Group, Mr. Tu was the finance director of WuXi AppTec Co., Ltd.^ (無錫藥明康德新藥開發股份有限公司) ("WuXi AppTec") from December 2015 to September 2018, where he led the accounting and reporting team since the delisting of WuXi PharmaTech (Cayman) Inc. from the New York Stock Exchange through the initial public offering and listing of WuXi AppTec on the Shanghai Stock Exchange. From April 2008 to April 2015, Mr. Tu held various finance positions at different departments of General Motors, including being in charge of special projects in the Asia-Pacific region and holding financial reporting and management positions in the North American region. Mr. Tu also had over five years of experience in auditing at Arthur Anderson and PricewaterhouseCoopers in Shanghai where he led the audit team to work on initial public offering and listing projects across different industries. Mr. Tu obtained a Bachelor of Arts Degree in Economics and Business Administration in June 2001 from Fudan University in the People's Republic of China and he is also a member of the Chinese Institute of Certified Public Accountants.

NON-EXECUTIVE DIRECTORS

Mr. WU Yongming, aged 46, 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)軟件有限公司) 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., which has been 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. XU Hong, aged 48, was appointed as a non-executive Director on June 9, 2019. Mr. Xu is currently the Deputy Chief Financial Officer 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, Alibaba Pictures Group Limited (Stock Code: 1060) since January 17, 2020, and Sun Art Retail Group Limited (Stock Code: 6808) since December 22, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LUO Tong, aged 54, 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 68, 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 48, 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. LEE Wai Yan Vivian, was appointed as the company secretary of the Company on August 24, 2020. Ms. Lee has more than 10 years of working experience in the legal field. She was a senior legal director at Fosun International Limited (Stock Code: 0656) from December 2015 to December 2018. She also worked at the Hong Kong office of various international law firms from 2008 to 2015. Ms. Lee obtained a Bachelor of Arts degree from the University of British Columbia (Canada) and a Graduate Diploma in Law (Common Professional Examination) and qualified to practice law in England and Wales. She was admitted as a solicitor of the High Court of Hong Kong in 2007 and is currently a member of the Law Society of Hong Kong. During the Reporting Period, Ms. Lee did not receive any remuneration from the Company.

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.

^ *For identification purpose only*

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, 2021, the Company has complied with the code provisions ("Code Provision(s)") set out in the Corporate Governance Code (the "CG Code") under Appendix 14 to the Listing Rules, except in respect of the following matters:

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

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment. The appointment of Mr. Zhu as the executive Director, Chairman and Chief Executive Officer became effective on March 16, 2020. However, he was not subject to election by the Shareholders at the adjourned special general meetings held on April 9, 2020 (which was originally scheduled to be held on March 30, 2020 and adjourned due to the prohibition of group gatherings of more than four people in public places in accordance with the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) (the "SGMs")) due to insufficient time to arrange the logistics in relation to the re-election of Mr. Zhu at the SGMs). However, given that Mr. Zhu was subject to retirement by rotation at the then next annual general meeting of the Company held on July 30, 2020 (the "2020 AGM") according to the Company's bye-laws, the Board considers that the Company's bye-laws have provided adequate measures to ensure the Company has a good corporate governance practice in place. As a result, Mr. Zhu retired and offered himself for re-election and was re-elected as the executive Director at the 2020 AGM. The appointment of Mr. TU Yanwu ("Mr. Tu") as an executive Director became effective on October 23, 2020. However, he was not subject to election by the Shareholders at the special general meetings held on March 1 and 29, 2021, respectively. The Board considers that it is more appropriate to have the election be considered by the Shareholders at the forthcoming annual general meeting in or around July 2021 (the "2021 AGM") so that re-election of all eligible Directors who are subject to retirement by rotation can be considered by the Shareholders at the same time in the 2021 AGM. Therefore, the Board considers that it will be in the Shareholders' interest that Mr. Tu's election be postponed.

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

THE BOARD

Composition

As at March 31, 2021 and up to the date of this report, the Board comprised seven Directors, including (i) two executive Directors, namely Mr. ZHU Shunyan and Mr. TU Yanwu; (ii) two non-executive Directors, namely Mr. WU Yongming and Mr. XU Hong; and (iii) three independent non-executive Directors, namely Mr. LUO Tong, Mr. WONG King On, Samuel and Ms. HUANG Yi Fei (Vanessa). The name and biographical details of each Director are disclosed on pages 64 to 66 of this report.

Mr. TU Yanwu was appointed as an executive Director on October 23, 2020. Mr. WANG Qiang and Mr. WANG Lei resigned as an executive Director and a non-executive Director, respectively, on October 23, 2020. The non-executive Directors and the independent non-executive Directors are appointed for a term of one year and their respective 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, 2021 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 (the "Nomination Committee") of the Company.

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, 2021 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.

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

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 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 eight Board meetings during the year ended March 31, 2021. 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, 2021 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)*	1/1	4/4	8/8	N/A	N/A	2/2
Mr. WANG Qiang (resigned on October 23, 2020)	1/1	2/2	4/4	N/A	N/A	N/A
Mr. TU Yanwu (appointed on October 23, 2020)	N/A	2/2	4/4	N/A	N/A	N/A
Non-executive Directors						
Mr. WU Yongming	1/1	4/4	8/8	N/A	1/1	N/A
Mr. WANG Lei (resigned on October 23, 2020)	1/1	2/2	4/4	N/A	N/A	N/A
Mr. XU Hong	1/1	4/4	8/8	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. LUO Tong	1/1	4/4	8/8	3/3	N/A	2/2
Mr. WONG King On, Samuel	1/1	4/4	8/8	3/3	1/1	2/2
Ms. HUANG Yi Fei (Vanessa)	1/1	4/4	8/8	3/3	1/1	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, 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, 2021, all of the following Directors participated in continuous professional development by attending seminar or by self-studying of materials on topics related to corporate governance, regulations and business:

Executive Directors

Mr. ZHU Shunyan	Attend seminar and self-study
Mr. WANG Qiang (resigned on October 23, 2020)	Attend seminar
Mr. TU Yanwu (appointed on October 23, 2020)	Attend seminar and self-study

Non-executive Directors

Mr. WU Yongming	Attend seminar and self-study
Mr. WANG Lei (resigned on October 23, 2020)	Attend seminar
Mr. XU Hong	Attend seminar and self-study

Independent Non-executive Directors

Mr. LUO Tong	Attend seminar and self-study
Mr. WONG King On, Samuel	Attend seminar and self-study
Ms. HUANG Yi Fei (Vanessa)	Attend seminar and self-study

Board Committees

During the year ended March 31, 2021, the Company maintained the Audit Committee, the Nomination Committee and the Remuneration Committee in compliance with the Listing Rules and the relevant Code Provisions.

Remuneration Committee

During the year ended March 31, 2021, the Remuneration Committee comprised Ms. HUANG Yi Fei (Vanessa) (Chairman), 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, 2021. The Remuneration Committee discussed and made recommendations on the remuneration to be paid to the Directors for the year ended March 31, 2021, 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.

Audit Committee

During the year ended March 31, 2021, the Audit Committee comprised Mr. WONG King On, Samuel (Chairman), Mr. LUO Tong and Ms. HUANG Yi Fei (Vanessa), 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;

(h) to discuss the risk management and internal control system with management to ensure that management has performed its duty to have an effective system. This discussion should include the adequacy of resources, staff qualifications and experience, training program and budget of the Company's accounting and financial reporting function; and

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

The Audit Committee held three meetings for the financial year ended March 31, 2021. The Audit Committee reviewed the financial statements of the Company for the year ended March 31, 2020 and for the six months period ended September 30, 2020, 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, 2021, 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), 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, 2021. 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 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 board diversity 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 to regulate the Directors' dealings in the Group's securities. In response to specific enquiries by the Company, all Directors, including the existing Directors and the former Directors who had been Directors during the year ended March 31, 2021, have confirmed that they have complied with the Model Code in their securities transactions throughout the year ended March 31, 2021.

COMPANY SECRETARY

The company secretary of the Company, Ms. LEE Wai Yan Vivian 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, 2021 amounted to approximately RMB3,000,000 and RMB2,862,000, 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, 2021, (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

Pursuant to a special resolution passed by the Shareholders at the annual general meeting of the Company held on July 30, 2020, the Company amended the then existing bye-laws by way of adoption of the new bye-laws in substitution for and to the exclusion of the then existing bye-laws. The purpose of the adoption of the new bye-laws is to allow electronic and hybrid general meetings to be convened, to reflect certain amendments in the applicable laws of Bermuda and to make other consequential and housekeeping changes. Further details of such amendments are disclosed in the announcement of the Company dated June 29, 2020 and the circular of the Company dated June 29, 2020.

Save for the changes mentioned above, there were no other changes in the constitutional documents of the Company. The new bye-laws of the Company were published on the websites of the Stock Exchange and the Company on July 30, 2020.

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 109 to 114 of this report.

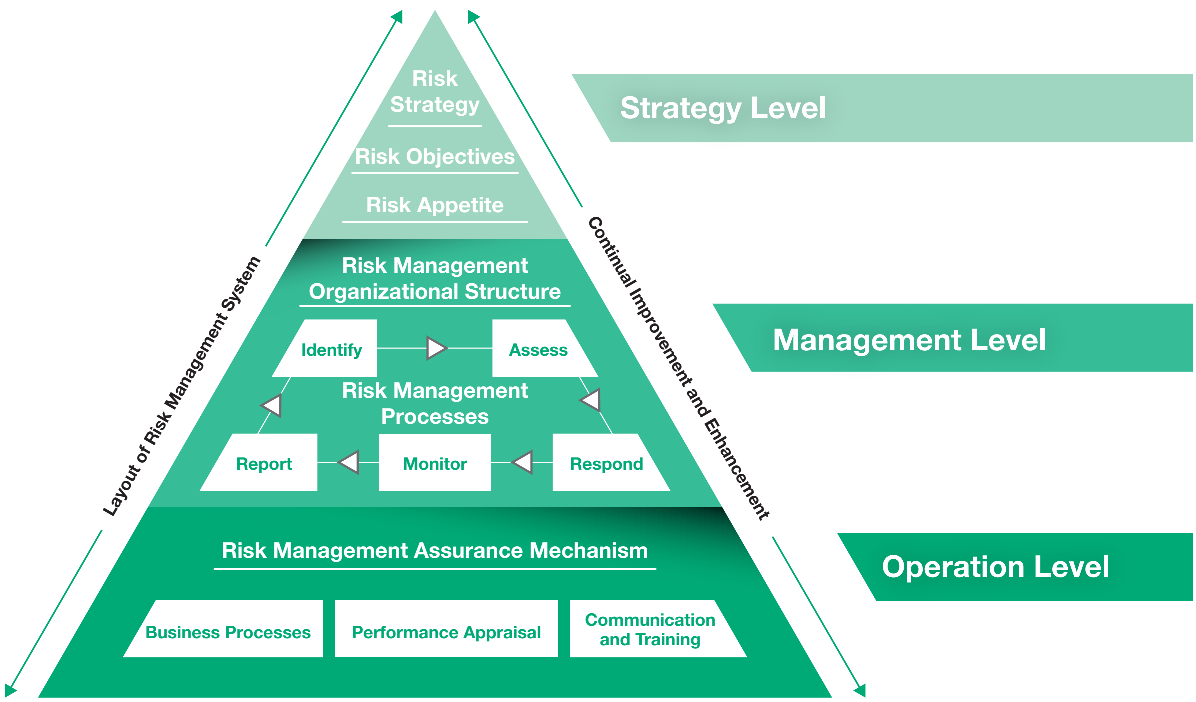
RISK MANAGEMENT AND INTERNAL CONTROL

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 that is in line with the Group's strategy and its specific business characteristics; (ii) continually optimizing its risk management organizational structure; (iii) enhancing its risk management processes; and (iv) adopting quantitative and qualitative risk management approaches to drive better identification, assessment and response of risks, to achieve a balance between risks and rewards, and to achieve sustainable development of the Group's businesses while appropriately managing risks.

2. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The risk management and internal control systems aim to support the Group in realizing its strategic objectives, 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 through risk identification, assessment, response and relevant monitoring measures. Risk management capability is one of our core competitive competencies, and we believe that implementing risk management and internal control systems over each business segment and every functional department across the Group 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 aims 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 Group's risk management objectives include: (1) strategic objective — to construct our risk management and internal control systems so that they are compatible with the Group's strategic objectives and support the achievement of its strategic goals and sustainable business development; (2) operational objective — to continuously improve the Group'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 activity of the Company.

- **Risk Appetite**

  Risk appetite sets the tone for the Group's overall risk profile. Having adopted a prudent stance in the determination of its risk appetite, the Group integrates its development strategies with its risk appetite 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 segment.

- **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 Group in realizing its strategic and operational objectives in nine major areas, including strategy, operation, quality, customers service, finance, laws, human resources, information technology and data, and reputation.

  - Risk assessment — management and its management team evaluate and rate 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 appropriate risk response strategy to design relevant measures to address the specific risk.

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

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

- **Risk Management Assurance Mechanisms**

  - The Group's management actions for risk response 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 policy management platform as reference and learning materials for all employees. The Group also established a rules center to publicize policies and requirements in respect of the management of partners and businesses.

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

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

3. MAIN RISK MANAGEMENT AND INTERNAL CONTROL WORK CONDUCTED IN THE FINANCIAL YEAR ENDED MARCH 31, 2021 (“FY2021”)

- In FY2021, the Risk Management Committee held a meeting to review the risk management and internal control systems and reported to the Board. The tasks completed by the committee in FY2021 included: (1) discussion and review of the Group’s findings on major risk identification and assessment, the risk management strategies and control measures in response to key risks; (2) discussion and review of the Risk Management and Internal Control Report required to be disclosed in the annual report for FY2021; and (3) discussion and review of the work plan and key points of risk management and internal control work for the financial year ending March 31, 2022 (“FY2022”) as well as the expected output and timetable etc.

- The Group’s management and respective management teams 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, and reputational risk); completed the ranking of the identified risks; discussed risk response proposals and measures, which formed the main basis for risk management and internal control work for the year.

- The business team took steps to standardize the operational procedures and relevant product systems for key businesses and management activities, formulated policies and published the same on our policy management platform as reference and learning materials for all employees.

- The risk management teams, including the risk governance team, quality control team, internal control team, financial team, legal team and safety team, provide supports in term of risk management and control expertise and capabilities from their respective professional perspectives, and conduct daily supervision of the work at the First Line of Defence to ensure effective implementation of risk response measures.

- The Group arranged training sessions related to risk management 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, code of business conduct, compliance with business-related laws and regulations, and data security management.

4. DISCLOSURE OF MATERIAL RISKS

During the year, the Group identified, analyzed and prioritized all the potential risks faced by its existing and new businesses. The following table sets forth risks that were ranked as "high":

Major Risks	Description of Risks	Risk Response Measures
Legal 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 fail to have a timely understanding of changes in and updates on applicable policies and regulations, or fail to sufficiently assess the impact of policies and regulations changes on our business operation, management would be unable to adopt response measures on a timely basis, which would affect the Company's regular business activities and its business continuity.	• Establish relevant business processes 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 Group also actively participates in forums organized by the government and regulators to ensure that it is fully aware of the latest government and regulatory requirements and changes in a timely manner; • Establish 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 applicable rules, regulations and regulatory requirements issued by the government and regulators, with a view to ensuring that relevant business teams accurately understand the policies and regulations; and • The legal and business teams jointly assess the impact of policy and regulatory changes on our business, and design response measures and alternative business models in response to the changes, so as to ensure business continuity as well as regulatory compliance.

Major Risks	Description of Risks	Risk Response Measures
Information Technology and Data Security Risks	As an Internet company, information technology and data form the foundation for our business development and operation, as well as one of the competitive advantages to help maintain high innovation levels and to become an industry leader. Any failure or postponement in our product research and development (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.	• Established standardized product R&D procedures, R&D project management mechanisms, coordination, communication and incentive mechanisms for cross-team cooperation among R&D, business, product and marketing teams to ensure timely and effective development of products that meet business needs; • Established IT system maintenance standards and business continuity guarantee mechanisms, contingency plans for IT system interruption, and 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; and • To comprehensively safeguard the Group from the risks of data leakage, loss and tampering from three areas of staff, processes and information technology, the Group (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 confidentiality requirements to all our employees.

RISK MANAGEMENT AND INTERNAL CONTROL

Major Risks	Description of Risks	Risk Response Measures
Competitive Risks	In China, there is intense competition in the Internet healthcare sector. The continuous evolution 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 Group's business and competitive advantages.	• The responsible manager for each business segment closely monitors the competitive situation of his/her business segment, and reports on the relevant information and share his/her insight and judgment at the monthly management meeting; • We have a specialist team which conducts in-depth analysis and research on competition in the industry regularly and reports to management for reference, which enables management to make informed business decisions and develop appropriate operational strategies and effective solutions to address the competitive risks; and • Senior management is committed to innovative and diversified management in relation to our business plans and deployments. In the course of steadfastly executing the strategic decisions, senior management strives for the Group to develop and accumulate core competitive advantages and become an unsurpassable company in the industry.

5. OUTLOOK AND KEY ACTIONS FOR FY2022

- Continue to reinforce the Group's risk management and internal control structure and drive its implementation, so as to continually improve the Group's risk management capabilities to ensure compliance with the Corporate Governance Code of the Stock Exchange and alignment with best industry practices.

- Continue to supervise each business segment and functional department to promote and optimize the design, implementation and operation of our risk management and internal control systems, and conduct independent supervision and assessment to ensure the effective design and implementation of internal control for major risks.

- Continue to focus on material changes and updates of key risks and make timely adjustments to the risk response measures and solutions accordingly.

- Further establish and improve the Group's policy and process guidelines and system of rules, strengthen internal and external publicity, and create a good business environment.

- Ongoing risk management trainings and risk management culture education for all staff to enhance their awareness of risk management, reinforce the accountability mechanism, and ensure implementation of the Group's risk management strategies.

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

6. STATEMENT OF THE BOARD REGARDING INTERNAL CONTROL RESPONSIBILITY

The Group's internal controls aim 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 Group 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 the year, the Group conducted a comprehensive self-assessment of its internal controls and reported the result to the Audit Committee and the Board, and no significant deficiencies were identified. The Board believes that, for the year ended March 31, 2021, the Group's existing internal control systems were sufficient and effective to assure the interests of the Group and its shareholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Alibaba Health firmly believes that the most important social responsibility of healthcare enterprises is to improve the health of people and the efficiency of the healthcare industry. We have an unwavering commitment to "promoting healthy living of 120 years for everyone". Our vision is to become the "professional caretaker of every person and his/her family", aiming at developing the largest and most comprehensive infrastructure for medical and healthcare services in China in 10 years, promoting a healthy lifestyle for 1 billion users, and enabling living with vitality and dignity through early prevention, examination, detection and treatment on our platform. By leveraging on Alibaba Health's strengths and experience in Internet, artificial intelligence ("AI") and other advanced technologies, we are dedicated to establishing a reliable and affordable medical and healthcare services platform in line with our commitment of "good medicines, renowned doctors and assurance", to serve our core users, being the household medical and healthcare managers. Based on the Outline of the Healthy China 2030 Plan and focusing on the "Healthy China Strategy" of "joint contribution, shared benefits, and health for all", we have integrated the coordinated development of enterprises and society into Alibaba Health's development strategy, the principles of which are reflected in Alibaba Health's environmental, social and governance (ESG) policies.

COMMUNICATION WITH STAKEHOLDERS

Alibaba Health attaches great importance to communication with our stakeholders, including consumers, partners, employees, government, shareholders, and the society, and has been working to improve the participation mechanism of stakeholders to address their concerns and demands, and ramping up efforts to fulfill our ESG commitment, so that Alibaba Health can create value for our stakeholders through its growth and development.

Stakeholders	Key Concerns	Communication & Responses
Government	Compliance with laws & regulations Support for economic development Payment of taxes according to laws	Compliance management Implementation of state policies Active payment of taxes
Shareholders	Return on 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
Employees	Staff benefits assurance Occupational health protection Sound career path Work-life balance	Provision of good remuneration package Implementation of staff training Enhancement of career development path

Stakeholders	Key Concerns	Communication & Responses
Partners	Industry advancement and win-win outcome Procurement with openness, fairness and impartiality Faithful performance of contracts	Contract fulfillment according to laws Public tenders Launch of cooperative projects
Environment	Energy conservation Overall responsible steward of the environment	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

ANALYSIS OF MATERIAL ISSUES

Alibaba Health identified important ESG issues in light of the development of its business to ensure that the ESG report covers all important issues to the Company and its stakeholders.

During the Reporting Period, the important ESG issues we identified included "pharmaceutical product quality and safety", "data and privacy security", "customer experience", "compliance operation", "supply chain compliance management", "employee training and development" and "accessible medical and healthcare services". In this report, we will discuss and analyze these issues in detail.

COMMUNITY AND ENVIRONMENT RESPONSIBILITIES

It is part of our mission to leverage our capabilities as an enterprise to address the needs of society. Alibaba Health always aims to leverage our strengths in Internet technology and platform and combine our own business with public welfare practices effectively. We joined the continuous efforts in fighting against the COVID-19 pandemic and actively participated in charitable activities in the healthcare sector to promote the sustainable development of public welfare activities.

Combating the COVID-19 Pandemic

Since the outbreak of the COVID-19 pandemic, Alibaba Health has actively responded to China's COVID-19 pandemic prevention and control measures. We formulated comprehensive strategies for COVID-19 pandemic prevention and control during the outbreak and the period of normalized prevention and control, in vigorous support of the domestic and overseas anti-pandemic efforts.

We leveraged our technological advantages to help prevent and control the COVID-19 pandemic in China as well as overseas. We established the "Global MediXchange for Combating COVID-19 (GMCC)" platform which offers consultations on COVID-19 pandemic prevention and treatment from doctors at the forefront of combating the COVID-19 pandemic, and shares the first-hand experience in combating COVID-19 pandemic, as well as AI big data and cloud computing technology with front-line doctors and nurses around the world, so as to support domestic and overseas COVID-19 diagnostic technologies and scientific research. Anti-pandemic information on the GMCC platform has been translated into 31 languages, providing literature support for nearly 1 million healthcare personnel. Doctors on the platform have provided tens of thousands of free online consultations for overseas Chinese. In addition, Alibaba Health launched free online medical consultation services available on a 16/7 basis during the pandemic, allowing users to seek professional advice online from medical practitioners from healthcare organizations across the whole country. This service benefited a mass of people with health diagnosis and treatment advice, effectively alleviating the diagnosis and treatment pressure on local healthcare organizations. We rolled out nucleic acid testing service in more than 100 cities across China, effectively addressing the needs of a wide range of communities.

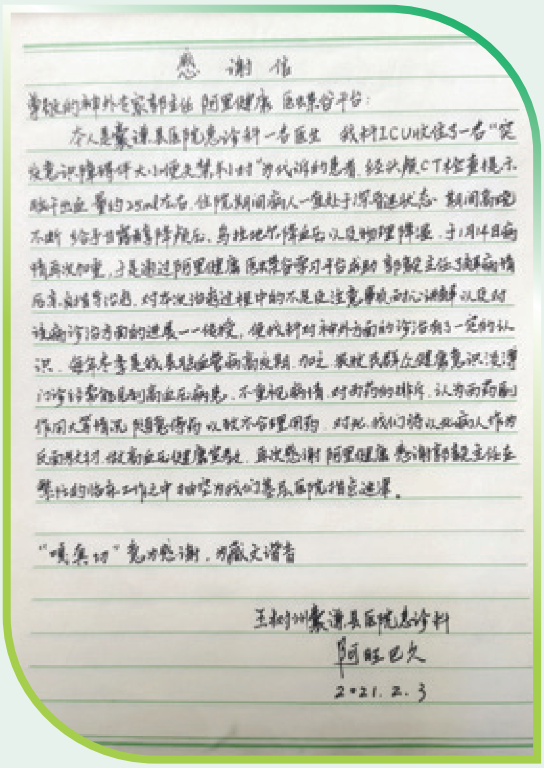
Philanthropic Health Promotion Campaigns

Since the establishment of the Philanthropy Committee of Alibaba Health in 2017, Alibaba Health has been engaging in various charitable activities to benefit the society by actively building a team of staff volunteers, engaging in volunteer services and poverty alleviation efforts, with an aim to contribute to the harmonious development of the society.

While devoting to systematic public welfare undertakings including "Global Drug Search Alliance", "Expired Drug Collection Alliance Action", etc., Alibaba Health has also been focusing on the health issues of the poor population. We leveraged on Alibaba Group's digital technology to initiate a project to control multiple drug-resistant tuberculosis ("MDR-TB") and "Join Us for Training on Yi Die Gu"^ (醫蝶谷一起學) to support medical poverty alleviation efforts, and partnered with the government to improve the county-level healthcare systems, in order to reduce the occurrence of lapse and relapse into poverty due to diseases and contribute to the sustainable development of healthcare in rural areas.

Case study: "Join Us for Training on Yi Die Gu"^ (醫蝶谷一起學) medical poverty alleviation and support platform

Photo: A Thank You Letter from a doctor of Nangqian County Hospital to appreciate the help from the "Join Us for Training on Yi Die Gu"^ (醫蝶谷一起學) support platform



In August 2020, Alibaba Health worked with Chinese Medical Volunteers and other similar charitable health organizations to initiate a project to support medical poverty alleviation efforts, namely "Joining Us for Training on Yi Die Gu"^ (醫蝶谷一起學). We set up primary expert workstations as an online and offline medical poverty alleviation and support platform, which provided primary doctors with services, including free offline medical consultation services and free drugs, customized online training of specialized knowledge, remote case discussion, remote ward rounds, etc, in order to accurately help county-level hospitals in remote areas and improve their specialized capabilities.

In early 2021, a patient with sudden consciousness disorder who had been incontinent for half an hour was admitted to the intensive care unit ("ICU") in Emergency Department of the Nangqian County Hospital, Yushu Prefecture, Qinghai Province. During the period, the patient had been in deep coma with persistent high fever, with symptoms worsening on January 14 after the emergency doctors had tried various treatment measures. The hospital then sought urgent help from experts through "Join Us for Training on Yi Die Gu"^ (醫蝶谷一起學), where medical experts provided guidance and shared knowledge about pathological diagnosis and treatment, and informed the physician of the potential issues at the initial stage of medical treatment and the precautions for subsequent medical treatment. With guidance from the medical experts, not only was the patient restored to an improved condition, but also the hospital had also deepened its knowledge and facilitated a detailed understanding of neurosurgical diagnosis and treatment.

Photo: Medical personnel from
"Join Us for Training on Yi Die Gu"^ (醫蝶谷一起學) working on-site to support medical poverty alleviation efforts

As of March 31, 2021, the "Join Us for Training on Yi Die Gu"^ (醫蝶谷一起學) initiative was rolled out in Yushu of Qinghai Province, Ganzi of Sichuan Province, Weinan of Shaanxi Province, Nujiang of Yunnan Province, Qinglong of Guizhou Province, and Changbai Mountain of Jilin Province to offer offline assistance, while its online platform had covered 120 county-level hospitals in 19 provinces, including Qinghai, Sichuan, Shaanxi, Yunnan, Guizhou, Xinjiang and Guangxi. This initiative had trained more than 1,200 county doctors and offered approximately 20,000 training sessions to doctors from county-level hospitals, leaving these counties with a "medical force that cannot be taken away". As a result, people in poor areas now have convenient access to quality medical services.

Case study: Public Service to Control MDR-TB

Photo: Song Jing, a disease prevention
and control doctor in Poji Town, Yunnan Province, offering medical consultation service to a local villager

MDR-TB is a variant of Tuberculosis ("TB") with a cure rate of only about 50%, inflicting enormous burden on the physique, family and financial condition of patients as a major illness-related cause of relapse into poverty. The MDR-TB patients in China are mostly concentrated in rural areas, underprivileged western regions and remote ethnic minority regions.

In December 2020, Alibaba Health, together with the "Lan Nong Charity Fund"^ (藍農公益基金), led by Professor Zhang Wenhong from the Infectious Diseases Department of Huashan Affiliated Hospital of Fudan University^ (復旦大學附屬華山醫院), initiated a project to control MDR-TB, providing eligible MDR-TB patients with free examination, treatment and follow-up services. This project was launched in Zhaotong of Yunnan Province, and it was planned to extend to more than 10 cities and prefectures, including Kunming, Xishuangbanna, Gejiu, Zhaotong, Wenshan, Qujing and Baoshan, etc., by 2021, to help more than half of the newly diagnosed MDR-TB patients in Yunnan fight the disease throughout the year. Meanwhile, the project delved into scientific research data, which served as a clinical basis to explore a MDR-TB Chinese Solution suitable for national conditions, with an aim to helping protect more patients in poverty-stricken areas across China and even the world at large from the harm of TB. As of March 31, 2021, more than 180 doctors from 24 hospitals had joined the project, delivering successful treatment services to 160 patients in total.

Green Operation

Alibaba Health upholds the philosophy of "lucid waters and lush mountains are invaluable assets" and attaches great importance to environmental protection and resource conservation. While the Internet industry in which Alibaba Health is part of is neither a manufacturer nor a highly polluting industry, we strive to implement the green and low-carbon strategies. We vigorously promote energy conservation and emission reduction, as we advocate a green working environment and integrate the concept of environmental protection into every part of our daily operation and management, with a view to minimizing environment impact.

We strictly abide by the *Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》)*, the *Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》)* and other relevant laws and regulations. We strive to improve the utilization rate of energy and resources, and actively undertake energy saving and consumption reduction activities to save water and electricity.

Energy:

- Inspect office area throughout the day and turn off unnecessary electrical equipment on a timely basis; adjust indoor air-conditioning temperature and fresh air systems in buildings to reduce electricity waste;
- Convert all meeting rooms into video conference rooms and promote the use of video conferencing to effectively reduce unnecessary business trips;
- Encourage low-carbon travel and provide shuttle buses for staff.

Water resource:

- Advocate water conservation and reduce water waste through awareness promotion and slogans.

The Company strictly abides by the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》)*, and classifies and makes compliance treatment of solid waste. The Company's waste generated in the process of operation mainly includes packaging materials for logistics, used drugs recycled from offline stores, office wastes such as used toner cartridge, used light tubes, used batteries and used paper, and household wastes. In addition, in view of our own business characteristics, the Company is not engaged in manufacturing during its operation, so there is no demand for packaging materials for manufactured products.

During the Reporting Period, Alibaba Health actively carried out garbage classification, uniformly allocated garbage sorting boxes, and called on employees to follow garbage classification standards when disposing recyclable wastes and non-recyclable wastes, which were then processed by the Company. At the same time, we took various measures to reduce and recycle office wastes:

- Set strict quotas for the use of office supplies, and require office supplies to be obtained only as needed to avoid wastage;
- Put recycling bins in the office, advocate double-sided use of paper, and encourage employees to place single-sided printing paper, used paper in the recycling bins for reuse; bind recycled single-side printed papers into manual notebooks for employees to use;
- Work with Alibaba Group to roll out the activity of exchanging waste paper for green plants;
- Conducted discarded dry battery recycling activities, and encouraged employees to bring their discarded batteries to the Company for centralized recycling.

The Company also arranged responsible disposal of used drugs to avoid environmental impact.

During the Reporting Period, major energy sources that the Company used included electricity, gasoline and outsourced heat. The Company mainly used water from municipal water supply, without any external water sources involved. Alibaba Health's consumption of various resources and energy is as follows:

Alibaba Health's Energy and Resource Consumption for FY2021

	Consumption			Density (Consumption per Employee)		
Indicator	FY2019	FY2020	**FY2021**	FY2019	FY2020	**FY2021**
Electricity consumption (kWh)	378,791	355,914	**346,587**	468.80	359.51	**337.80**
Water consumption (tons)	4,600.00	4,264.35	**7,979.00**	5.69	4.31	**7.78**
Greenhouse gas emissions (tons of CO_2 equivalent)	355.70	332.76	**314.99**	0.44	0.34	**0.31**
Office paper (tons)	1.209	1.163	**1.077**	0.00150	0.00117	**0.00105**

PRODUCT AND SERVICE RESPONSIBILITIES

Leveraging on our strengths in the Internet, big data and cloud computing, Alibaba Health is committed to promoting pharmaceutical e-commerce and new retail business in a user-oriented manner and through various channels, while providing integrated online and offline solutions for the health industry. On the basis of ensuring professional and safe services, it aims to enhance the convenience for patients to get access to medicine and medical treatment, and meet the demand of consumers for a healthy lifestyle.

Quality Control

Alibaba Health strictly abides by relevant laws and regulations, including the *Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法》), Drug Administration Law of the People's Republic of China (《中華人民共和國藥品管理法》), Vaccine Administration Law of the People's Republic of China (《中華人民共和國疫苗管理法》), Regulations on the Implementation of the Drug Administration Law of the People's Republic of China (《中華人民共和國藥品管理法實施條例》),* the *Measures for the Administration of Drug Trading Licenses of the People's Republic of China (《藥品經營許可證管理辦法》)* and the *Interim Provisions for Examination and Approval of Internet Drug Trading Services of the People's Republic of China (《互聯網藥品交易服務審批暫行規定》).* We have developed our quality control system in accordance with the *Good Supply Practice for Pharmaceutical Products* (GSP) *(《藥品經營質量管理規範》)* and taken effective quality control measures throughout the value chain covering drug storage, sales and transportation, so as to ensure the quality of drugs. We have also launched the drug tracking system pursuant to relevant national regulations to enable traceability of drugs. We have established a dedicated quality control team, adopted a comprehensive business management and control mechanism, and taken a variety of quality control measures, including latest AI drug safety system, free drug use consultation, insurance on authenticated drug purchase, to improve the overall quality of the products sold and the safe use of all medical products.

Regulated Management of Merchants

We have developed comprehensive practice rules for sourcing and admission of new merchants, and release of products and services to strictly manage the screening of new merchants and the clearing of existing merchants, in order to ensure that the third-party merchants on the platform comply with laws in terms of licenses and sales of products. For example, in respect of merchants selling medical devices, pursuant to the *Measures for Supervision and Management of Online Sales of Medical Devices (《醫療器械網絡銷售監督管理辦法》)*, Alibaba Health has established a strict admission system for the entry of medical device merchants. All merchants must be qualified for medical device business and obtain medical device online registration certificates and valid business licenses, etc. We have also developed a standard for the launch of medical device products. Merchants must upload accurate information about the registration certificate and label of the medical device before launching such products. In terms of medical service providers, Alibaba Health has put in place relevant requirements for sourcing and admission, and formulated the *Standards on Admission to Alibaba Health Medical Platform (《阿里健康醫療平台入駐標準》)* and *Rules of Alibaba Health on Management of Sourcing of Physical Check/Inspection Providers in Alipay (《阿里健康支付寶體檢/檢查機構招商管理規範》)*. We verify the qualifications of all medical institutions and physicians entering the platform, and obtain relevant information updates from government authorities such as the health administration department to ensure that the institutions and physicians on the platform meet relevant qualification requirements.

Product Verification Process

We have developed detailed technical specifications specific to various products launched on the platform, and have formulated the *Standards for Launching Vaccine Products on the Platform of Alibaba Health (《阿里健康疫苗平台商品發佈標準》)* and *Technical Specifications for Prohibited Additives in Edible Products (《可食用類產品違禁添加技術規範》)* based on the characteristics of the products, to ensure that the additive and prohibited substances in each product are within the limits required by the relevant laws and regulations while assuring the quality of the products. We have established a "transparent laboratory" to formulate product standards and conduct testing for various kinds of food. At the same time, for the purpose of improving the transparency of quality information and the consumer awareness, we conduct sampling tests on products regularly and inform consumers of the test results in the test information shown on the product introduction page in our online store. In 2020, Alibaba Health cooperated with testing institutes such as the Zhejiang Institute of Medical Device Testing to jointly carry out sampling tests on medical devices. We also pay close attention to the sampling test announcements and unannounced inspection announcements issued by the medical product regulatory authorities and deal with unqualified products in a timely manner.

Product Tracking System

We make continuous efforts in improving the product tracking system to meet the mandatory requirements of the national tracking regulations and achieve traceability of sources and circulation. Pursuant to the *Drug Administration Law of the People's Republic of China (《中華人民共和國藥品管理法》)* and *Vaccine Administration Law of the People's Republic of China (《中華人民共和國疫苗管理法》)*, we have established third-party tracking platform called "Ma Shang Fang Xin"^ (碼上放心) and formulated tracking standards and specifications, so that the source of medical products and non-pharmaceutical products such as imported food, healthcare products, cosmetics and agricultural products can be verified, circulation can be tracked, and accountability can be pursued throughout the life cycle. Through an enhanced product tracking system, we can control product quality and safety risks effectively to improve our product safety and public safety management and recall products with defects in a timely manner. During the Reporting Period, no case of product recall on the direct business platform of Alibaba Health was recorded.

Information Security

Information technologies and data security are the core principles for the business development and operation of Alibaba Health as an Internet company. Alibaba Health attaches great importance to data security and is committed to data protection.

We abide by the laws including the *Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》), Regulations on Technical Measures for Internet Security Protection (《互聯網安全保護技術措施規定》)* and *General Data Protection Regulation* (GDPR) *(《通用數據保護條例》)*, and have established sound internal security management systems and effective rules. As part of its efforts to minimize information and data security risks, Alibaba Health has developed management rules related to data collection and transmission, secure storage, encryption protection, authorized access and use and destruction and has taken comprehensive measures in terms of data security management and encryption protection.

Information Security System Certification

Alibaba Health strictly complies with the rules related to information security and data compliance formulated by Alibaba Group, including the *Data Security Specifications (General) of Alibaba Group (《阿里巴巴集團數據安全規範(總綱)》), Information Disclosure Rules of Alibaba Group (《阿里巴巴集團 — 對外數據披露細則》)* and *Financial Information Security Management Rules of Alibaba (《阿里巴巴財務數據安全管理制度》)*. Leveraging on the big data platform of Alibaba Cloud, we provide services to facilitate management of medical industry data and pursue the "Internet + Healthcare" model. Alibaba Cloud has obtained the registration certificate of level-3 information security protection of information system from the Ministry of Public Security. The data security management system of Alibaba Health has obtained ISO27000 Information Security Management System certification and ISO9000 Quality Management System certification. In addition, the diagnosis system under the Alibaba Health "Dr. Deer" platform has also obtained the registration certificate of level-3 information security protection of information system from the Ministry of Public Security.

In addition, the "Ma Shang Fang Xin" platform of Alibaba Health complies with requirements as stipulated in the announcement issued by the National Medical Products Administration on three information standards, including the *Basic Technical Requirements for Drug Tracking System (《藥品追溯系統基本技術要求》)*, and has also obtained the registration certificate of level-3 information security protection of information system from the Ministry of Public Security. The platform has obtained the highest level of certification of non-bank institutions in China in regard to its information security.

Information Security Management

We have established management rules for the operation and maintenance of the information systems and business continuity guarantee mechanisms, formulated emergency plans for operation interruption of the information system and taken measures regularly with regard to disaster recovery plans and drills, in order to ensure the safety and continuity of the information system operation and facilitate quicker response of the system in the event of security risks.

The Chief Risk Officer (CRO) of Alibaba Health and his team are responsible for the daily management of data security of the Company. CRO reports to the Risk Management Committee of the Board on an annual basis and on three aspects, namely, the employee data security, the basic security — application security of Alibaba Health as well as upstream and downstream data security. The Risk Management Committee supervises the security performance and makes final decisions. In the ordinary course of business, our CRO team holds weekly meetings and monthly meetings regularly to discuss data security matters and events, and communicates on cases of emergencies in a timely manner.

We share the data security expert team (https://security.alibaba.com/) with Alibaba Group and go through real-time security tests with the participation of over 10,000 data security experts from all over the world. Alibaba Health conducts security assessments on all applications/interfaces on a daily basis, including compliance assessment (legal + data security) and technical platform assessment (black and white box testing) to ensure the security performance of the computer network system.

Information Security Promotion

In terms of training and emergency drills, for better employee response capability, the Company has formulated data security emergency plans and conducted data security drills for different scenarios. Alibaba Health provides trainings and campaigns for employees on data security issues based on different levels. Data security training is provided to all new employees, while specialized data security training is provided in respect of the warehousing system. At the same time, in order to promote the awareness and understanding of security-related knowledge and requirements among all staff, the Company provides internal security trainings and examinations for all staff including interns and outsourced employees regularly and launches campaigns on data security and confidentiality-related contents. For data security incidents that occurred, we have reviewed and trained relevant personnel with a view to enhancing their data security awareness and response capabilities comprehensively.

Privacy Protection

Alibaba Health fully integrates data privacy protection into every product and service, and safeguards users' right to know, choose and control their personal information. We protect the privacy and security of user data in accordance with the laws, and strictly abide by relevant laws and regulations, including the *Provisions on the Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》)*. Alibaba Health follows the *Data Security Specifications (《數據安全規範》)* and related rules in terms of customer privacy protection, and has formulated privacy protection policies for relevant products, such as the *Legal Statement and Privacy Policy (《法律聲明及隱私權政策》)* for the "Dr. Deer" platform and the *Legal Statement and Privacy Policy (《法律聲明及隱私權政策》)* for Alipay's healthcare channel, which are posted on our official website. These policies are applicable across Alibaba Health and to the specific products or services that we provide, and explain the collection, circulation and use of personal information.

We undertake to keep related data files, commercial information, patient information and basic medical data of the platform in a proper manner, and not to display, aggregate, leak, use, or authorize others to use personal information and data without authorization. We classify and manage customer information, set up systematized authorization management for personnel who have access to private data, impose clear segregation and set time limits on access to such information. Meanwhile, we supervise data management staff on a daily basis, keep database records for private data operations and stipulate expressly that authorized accounts with data access rights shall not be privately assigned or transferred to others in order to minimize risks of personal information and data leakage.

Regular trainings on data security and confidentiality are 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 and authorized, so that client's privacy and data security are strictly protected.

Customer Service

Alibaba Health has always upheld the service philosophy of customer first, and dedicated to protecting the interests of users. We have established a comprehensive customer service team, providing diversified services to our users, while enhancing user experience and offering carefree and convenient services.

Alibaba Health Pharmacy platform provides online consultation services on a 16/7 basis. Inquiries from customers are answered by our certified pharmacist teams, aiming to help consumers to make the right purchase decisions based on the pharmacists' professional guidance, comprehensive webpage descriptions and user feedback. After making a purchase, consumers who are our members can also rely on real-time medication reminders that 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".

All pharmacists in Alibaba Health Pharmacy have obtained qualification and practice certificates, and receive trainings on relevant medical knowledge on a regular basis. Manufacturers are invited to explain drug precautions to the pharmacists. Alibaba Health Pharmacy selects gold medal pharmacists every month based on their performance to encourage pharmacists to learn and build a first-class pharmacist team. We have more than 2,000 pharmacists holding national certificates of qualification providing online customer service, making it possible for after-sales issues, including refund requests, to be responded to and resolved promptly, and 98% of customer inquiries to be resolved within 24 hours.

Besides, we provide patients with online healthcare consultation services through "Dr. Deer" APP based on our cloud pharmacy health management service platform. There are nearly 60,000 licensed physicians, pharmacists and nutritionists on the platform, among which, over 46,000 are chief doctors, associate-chief doctors and attending doctors.

Intellectual Property Rights

Alibaba Health attaches great importance to the management and protection of intellectual property rights and strictly abides by the *Patent Law of the People's Republic of China (《中華人民共和國專利法》)*, the *Trademark Law of the People's Republic of China (《中華人民共和國商標法》)* and the *Copyright Law of the People's Republic of China (《中華人民共和國著作權法》)* and other laws and regulations, so as to protect intellectual property rights of Alibaba Group and external parties.

We adopt Alibaba Group's *Code of Business Conduct (《商業行為準則》)*, 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 software must be used carefully under applicable laws and relevant authorizations from intellectual property holders. We value innovation and provide incentives for innovative employees based on the Alibaba Group's innovation award scheme while protecting innovations actively. We identify and manage intellectual property rights infringement risks for merchants, and coordinate them for follow up actions in case of infringements. During the Reporting Period, there were no known intellectual property complaints held against Alibaba Health.

RESPONSIBILITIES TOWARD OUR EMPLOYEES

Being a people-oriented company, Alibaba Health respects the rights and interests of all employees. Emphasis is given to personnel training and employee care, so that employees can grow with the Company.

Employment and Labor Rules

In strict compliance with the *Labor Law of the People's Republic of China (《中華人民共和國勞動法》),* the *Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》)* and other laws and regulations, Alibaba Health formulated the Policy of Employment Management, upholding the principle of equal employment and instituted policies to prevent 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 labor are strictly prohibited.

Alibaba Health respects the rights and interests of employees and maintains responsible employer and employee relationship. The Company provides equal employment opportunities, uses labor contracts in accordance with the laws and makes contribution to social insurance for employees on time. The Company also establishes salary management systems and incentive policies that offers competitive remuneration and performance bonuses. It also strictly abides by laws and regulations such as the *Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》)* and the *Regulations on the Administration of Housing Provident Funds Management Regulations (《住房公積金管理條例》)*, and makes contribution timely to the five social insurances and housing fund for employees with whom labor contracts have been signed; establishes a comprehensive welfare system, including but not limited to: providing paid holidays for pregnant employees, setting up nursing rooms for employees who are breastfeeding mothers, allowing employees with minor children to take leave for parent-teacher meeting and travel leave around holidays for employees whose hometowns are far away.

Employee Diversity

As at March 31, 2021, Alibaba Health had 1,026 employees, of which 39.3% were female.

Employee Structure (Persons)

		FY2019	FY2020	**FY2021**
Number of employees by level	High-ranked employees	32	21	**24**
	Middle-ranked employees	56	55	**95**
	Entry-level employees	720	647	**907**
Number of employees by age	29 years of age or under	270	153	**289**
	30 to 50 years of age	535	570	**736**
	51 years of age or above	3	0	**1**
Number of employees by gender	Male	462	428	**623**
	Female	346	295	**403**

Occupational Health and Safety

Alibaba Health cares about the occupational health and safety of its employees. We strictly abide by the *Occupational Disease Prevention and Control Law of the PRC (《中華人民共和國職業病防治法》)* and the *Safety Production Law of the PRC (《中華人民共和國安全生產法》)* and other laws and regulations. As part of their health benefits, employees are entitled to annual checkup, so that employees can know about their health conditions in time. The Company provides medical insurance, work-related injury insurance and additional supplementary medical insurance. During the Reporting Period, we did not experience any work-related injury or fatal accidents, and there were no lost working hours due to work-related injuries.

During the outbreak of the COVID-19 pandemic, Alibaba Health actively complied with the pandemic prevention and safety requirements of the country and the Alibaba Group, taking a number of prevention and control measures within the Company to combat the pandemic. We cooperated with the local supervising authorities to conduct pandemic prevention inspections, and provided real-time feedback on the notifications and requirements of the pandemic prevention department; formulated visiting management requirements, imposed restrictions on the visiting of employees from medium to high-risk areas and visits to the facilities were suspended; implemented A/B work shifts to limit the number of employees working in the facilities; disinfected the facilities regularly and sterilized door handles, conference rooms, remote controls and other equipment and devices in the office every two hours on average; opened windows in the office at least four times a day for ventilation; recorded and measured the temperature of employees daily; ensured the stocking and provision of food and common medicines, distributed masks and other materials for free, and collected the used items at designated points for further disposal. At the same time, we tried our best to help employees in Hubei to ensure that they have access to medical care and protection in the worst-hit area of the pandemic. Alibaba Group set up a Wuhan front-line emergency team to address the needs of Hubei employees for masks, pandemic awareness and protection, remote medical consultation and green-channel medical consultation, etc. Alibaba Health actively participated in relevant activities and sought resources to help infected employees and their families get medical assistance, and the warehouse and logistics team provided separate delivery and ordering services of medical supplies for employees in the pandemic affected area.

Alibaba Health proactively implemented prevention measures during the normalized pandemic prevention and control period, to contain the resurgence of the pandemic. We established pandemic prevention procedures, records and plans for resumption of work and production; the number of attendees in meeting rooms was limited to 50% of its capacity and the duration of each meeting was limited to no more than two hours; employees were asked to fill out their health status form every day, took temperature measurements in the morning and afternoon respectively and disclosed any abnormality; we set up isolation areas in the facilities, and employee whose body temperature was found to be abnormal would be quarantined immediately; all people accessing the facilities of the Company at any time must go through body temperature measurement and visitors must be registered. During the Reporting Period, the Company did not record any confirmed cases of COVID-19.

Employee Training and Development

Alibaba Health promotes a "Customer First" culture and uses OKR (Objectives and Key Results) management tools across the Company, aiming to improve our mission-driven products and services for the healthcare industry and its stakeholders, enhance key managers and all employees' understanding and recognition of our corporate mission and clarify the retention, training and development of talents.

The development of our employees' comprehensive quality is important to Alibaba Health, and we provide abundant training opportunities and resources to improve their abilities and facilitate their career success. The Company has established a diversified training system for employees at all levels, so as to offer them comprehensive trainings on teamwork, flexibility, insight, systematic thinking and creativity as well as to improve their knowledge, skills, and working methods continuously. We also capitalize on Alibaba Group's training system and support employees to participate in its online and offline trainings or invite experts to the trainings of the Company. We evaluate the performance of employees semiannually and offer two opportunities for promotion every year in order to provide them with exceptional career development opportunities.

Alibaba Health also offers live streaming trainings called "Health Academy" online, which include seminars participated by high-calibre personnel in Alibaba Group discussing about topics such as company business, R&D, operations and policies as well as guests from various other industries sharing industrial updates and experience. The "Health Academy" training is available to all employees, including full-time, part-time and outsourced employees.

Training System

The Company provides all new hires with a "Alibaba Health Welcomes New Arrivals" training to comprehensively introduce the Company's business, and provides them with the induction training manuals. We also assign senior staff as mentors of the new hires to help them onboard as quickly as possible. During the Reporting Period, the Company upgraded the "Alibaba Health Welcomes New Arrivals" training to focus on challenges of new hires in their jobs, highlight interactive learning and launch a series of trainings including the "Learning Roadmaps", activities for newcomers and offline trainings, etc. 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; our employees can also sign up for Alibaba Group's basic management trainings such as the "Xia Ke Xing" (俠客行), etc. Through the manager training programs, monthly and quarterly management meetings and other activities, the Company's senior management discuss the innovative management skills as well as the future development and goals of the Company, and share their management experiences. These activities enhance the cohesion and strategic leadership of the team and lay a solid foundation for the long-term and stable development of the Company.

During the Reporting Period, we recorded more than 4,000 person-times of Alibaba Health's employee participation in trainings, with an average of 81 hours of training per person.

Training Data by Employee's Level

	FY2019		FY2020		**FY2021**	
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%	72	100%	84	**100%**	**88**
Middle management	100%	144	100%	144	**100%**	**144**
Entry-level employees	100%	70	100%	64	**100%**	**65**

Employee Care

Alibaba Health encourages our employees to maintain a healthy work-life balance. A variety of cultural and sports activities are organized during holidays to promote communication and interaction among employees, and improve their wellbeing and happiness. On May 10 of every year — Ali Day, employees of Alibaba Health can participate in diverse employee activities held by Alibaba Group. We hold celebration ceremonies for employees completing three years of service and five years of service, and rewards are given to employees. In addition, we also organize group celebrations and give out gifts on holidays such as Women's Day, Dragon Boat Festival and Mid-Autumn Festival.

Alibaba Health is also part of the quarterly employee survey conducted by the Alibaba Group. According to the results of survey, we do have high employee satisfaction. We will continue to strengthen employee engagement, deliver key messages to them and enhance their recognition.

COMPLIANCE RESPONSIBILITIES

While maintaining steady development of our business, Alibaba Health has also been integrating social responsibility into its operations. We always value moral and honest behaviors, and strictly forbid any form of corruption, bribery and fraud. We continuously improve our supply chain management in order to create a sustainable supply chain and strive for synergies and sustainable development with suppliers.

Integrity Management

Operating in compliance with laws and regulations, Alibaba Health upholds the core values of Alibaba Group, follows the *Alibaba Group Code of Business Conduct (《阿里巴巴集團商業行為準則》)* and strictly abides by the business ethics of honesty, trustworthiness, incorruptibility and self-discipline. During the Reporting Period, Alibaba Health continuously upgraded the training and test of the *Alibaba Group Code of Business Conduct (《阿里巴巴集團商業行為準則》)*, enhanced the function integrating learning and test, and motivated all employees to participate by offering certification with online games. As a result, all employees of the Company have taken the test. At the same time, we updated the video series about integrity, analyzed the harms caused by duty crimes with actual cases and encouraged employees to watch them together, so as to enhance the employees' awareness of integrity and compliant business from all aspects.

Alibaba Health actively organizes anti-corruption trainings to increase employees' awareness of laws and integrity. During the Reporting Period, a total of about 600 people[1] from the Company participated in the integrity trainings; a total of seven online and offline integrity trainings were provided for all employees and each lasted for about 2.5 hours; five employee induction trainings were carried out, covering all new employees joining the Company before March 2021; we provided one special integrity training on e-commerce business for all employees of the business and carried out training on fraud prevention and identification methods for all of management personnel in Alibaba Health.

Alibaba Health has created public anti-corruption whistleblowing channels for all parties on both websites of Alibaba Health and Alibaba Group. During the Reporting Period, Alibaba Health upgraded its online whistleblowing system and assigned integrity investigators to conduct investigations and divide the information immediately after the reporting, so as to protect information security of the informant rigorously.

Alibaba Health's Integrity Reporting Channels	
Online reporting channel	https://jubao.alibaba.com
Reporting email	alihealth-integrity@alibaba-inc.com; lianzheng@alibaba-inc.com
Reporting hotline	400–854–5198

[1] For more accurate information on the coverage of trainings, the unit is changed from person-times in the integrity training data for FY2020 to number of people.

Supply Chain Management

Procurement for our core business mainly includes pharmaceutical products, healthcare supplements and medical devices for our direct pharmacy business, and office consumables, advertisements, legal services, marketing services and renovation services for our non-core business. Alibaba Health attaches great importance to supplier management, follows Alibaba Group's procurement rules, and strictly maintains fairness and impartiality in procurement while improving efficiency, so as to comprehensively promote transparent procurement and create a responsible supply chain.

We have established a rigorous procurement management system to standardize our management, prevent and control risks and regulate the procurement practice. Pursuant to the *Alibaba Health Supplier Management System (《阿里健康供貨商管理制度》)*, we have standardized the procedures of supplier database entry and supplier information input, and established the supplier rating system and supplier evaluation and elimination mechanism. Based on Good Supply Practice for Pharmaceutical Products (GSP), we put in place clear quality requirements for the receipt, inspection, storage, maintenance, delivery, transportation and return of the medical products respectively in terms of our direct business. Pursuant to the *Process of Non-core Purchasing of Alibaba Health (《阿里健康非主營採購流程》)*, we have clarified the coverage of non-core business, procurement requirements, approval process and payment process, managed suppliers of our non-core business, and minimized potential risks of impartiality during the pricing comparison/tendering and bidding based on the principles of consistency, prudence and fairness, so as to ensure that the procurement is legal and in compliance. In addition, Alibaba Health conducts on-site visits to suppliers in China before confirming their participation in and formal presentation of the bidding and reviews all suppliers' qualifications in advance to ensure that suppliers meet the requirements of Alibaba Group and the Company.

Number of Alibaba Health's Suppliers

	FY2019	FY2020	**FY2021**
Domestic suppliers of core business	462	700	**936**
Overseas suppliers of core business	51	107	**186**
Suppliers of non-core business	130	196	**200**

^ *For identification purpose only*

INDEPENDENT AUDITOR'S REPORT

EY 安永

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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 115 to 229, which comprise the consolidated statement of financial position as at March 31, 2021, 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, 2021, 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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

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, 2021, the Group held investments in associates of approximately RMB2,173.9 million, which was significant to the consolidated financial statements. The management identified indicators of impairment for investments in associates and accordingly, with the assistance of an independent valuer, performed impairment tests for these investments by comparing the carrying amounts as at March 31, 2021 with the corresponding recoverable amounts. The recoverable amounts were determined by value in use for these investments which required management to apply significant assumptions and estimates, such as expected revenue and margin, discount rates and perpetual growth rates. Relevant disclosures are included in note 2.4 "Summary of significant accounting policies", note 3 "Significant accounting judgements and estimates" and note 17 "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 by making enquiries with management and with reference to historical information and industry development expectations; — With the assistance of our internal valuation specialists, examining the valuation methodologies and evaluating the assumptions and estimates used, including the discount rates and the perpetual growth rates; — 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, 2021, the carrying amount of the Group's inventories before provision was approximately RMB1,501.1 million. The inventories were stated at the lower of cost and net realizable value. The determination of net realizable value 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 sale. The Group recorded an impairment of inventories of approximately RMB32.5 million for the year ended March 31, 2021. Relevant disclosures are included in note 2.4 "Summary Of Significant Accounting Policies", note 3 "Significant Accounting Judgement And Estimates" and note 18 "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; — Assessing the appropriateness of management's assessment on available selling price and estimated costs to be incurred to sale 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 realizable 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, actions taken to eliminate threats or safeguards applied.

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
Hong Kong

May 25, 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended March 31, 2021

	Notes	**2021** **RMB'000**	2020 RMB'000
REVENUE	5	**15,518,468**	9,596,476
Cost of revenue		**(11,901,219)**	(7,365,096)
Gross profit		**3,617,249**	2,231,380
Other income and gains	5	**405,828**	161,269
Operating expenses			
Fulfilment		**(1,619,459)**	(1,098,254)
Sales and marketing expenses		**(1,222,008)**	(722,720)
Administrative expenses		**(293,595)**	(219,973)
Product development expenses		**(423,632)**	(252,843)
Other expenses		**(22,302)**	(33,768)
Finance costs		**(2,449)**	(21,965)
Share of losses of:			
Joint ventures	16	**(11,556)**	(12,737)
Associates	17	**(26,857)**	(21,295)
PROFIT BEFORE TAX	6	**401,219**	9,094
Income tax expense	9	**(58,539)**	(24,790)
PROFIT/(LOSS) FOR THE YEAR		**342,680**	(15,696)
Attributable to:			
Owners of the parent		**348,588**	(6,586)
Non-controlling interests		**(5,908)**	(9,110)
		342,680	(15,696)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic		**RMB2.63 cents**	RMB(0.06) cents
Diluted		**RMB2.62 cents**	RMB(0.06) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended March 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
PROFIT/(LOSS) FOR THE YEAR		**342,680**	(15,696)
OTHER COMPREHENSIVE INCOME			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Translation from functional currency to presentation currency		**(80,431)**	(58,527)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:			
Translation from functional currency to presentation currency		**(522,728)**	133,351
Equity investment designated at fair value through other comprehensive income ("FVOCI"):			
Changes in fair value		**2,695**	46,161
Income tax effect	27	**(269)**	(4,616)
Total equity investment designated at FVOCI		**2,426**	41,545
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**(520,302)**	174,896
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(600,733)**	116,369
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(258,053)**	100,673
Attributable to:			
Owners of the parent		**(252,145)**	109,783
Non-controlling interests		**(5,908)**	(9,110)
		(258,053)	100,673

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2021

	Notes	**March 31, 2021 RMB'000**	March 31, 2020 RMB'000
NON-CURRENT ASSETS			
Property and equipment	12	**13,428**	12,999
Investment property	13(a)	**–**	10,599
Right-of-use assets	13(a)	**38,861**	59,333
Other intangible assets	15	**2,935**	4,467
Goodwill	14	**54,576**	54,576
Investments in joint ventures	16	**98,548**	111,247
Investments in associates	17	**2,173,938**	1,945,789
Other receivables and other assets	20	**9,524**	21,732
Equity investment designated at FVOCI	23	**163,212**	173,456
Financial assets at fair value through profit or loss ("FVPL")	22	**984,456**	462,778
Total non-current assets		**3,539,478**	2,856,976
CURRENT ASSETS			
Inventories	18	**1,468,609**	1,217,258
Trade and bills receivables	19	**313,615**	324,541
Prepayments, other receivables and other assets	20	**769,716**	413,492
Financial assets at FVPL	22	**–**	402,485
Restricted cash	21	**11,017**	60,239
Cash and cash equivalents	21	**11,636,769**	2,594,981
Total current assets		**14,199,726**	5,012,996
CURRENT LIABILITIES			
Lease liabilities	13(b)	**20,334**	32,030
Trade and bills payables	24	**2,551,550**	1,865,526
Other payables and accruals	25	**588,169**	513,250
Contract liabilities	26	**190,541**	171,280
Tax payable		**50,278**	27,817
Total current liabilities		**3,400,872**	2,609,903
NET CURRENT ASSETS		**10,798,854**	2,403,093
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,338,332**	5,260,069

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2021

	Notes	**March 31, 2021 *RMB'000***	March 31, 2020 *RMB'000*
NON-CURRENT LIABILITIES			
Lease liabilities	*13(b)*	**17,406**	37,725
Deferred tax liabilities	*27*	**39,322**	19,829
Total non-current liabilities		**56,728**	57,554
Net assets		**14,281,604**	5,202,515
EQUITY			
Equity attributable to owners of the parent			
Share capital	*28*	**118,859**	106,108
Treasury shares	*28*	**(22,265)**	(13,039)
Reserves	*30*	**14,205,356**	5,176,076
		14,301,950	5,269,145
Non-controlling interests		**(20,346)**	(66,630)
Total equity		**14,281,604**	5,202,515

Zhu Shunyan
Director

Tu Yanwu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended March 31, 2021

		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	Equity investment designated at FVOCI revaluation reserve^ RMB'000	Other reserves^ RMB'000	Accumulated losses^ RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At April 1, 2020		106,108	22,344,732	(13,039)	(16,397,767)	150,697	210,730	41,545	123,205	(1,297,066)	5,269,145	(66,630)	5,202,515
Profit for the year		–	–	–	–	–	–	–	–	348,588	348,588	(5,908)	342,680
Other comprehensive income/(loss) for the year:													
Change in fair value of financial assets at FVOCI, net of tax		–	–	–	–	–	–	2,426	–	–	2,426	–	2,426
Translation from functional currency to presentation currency		–	–	–	–	(603,159)	–	–	–	–	(603,159)	–	(603,159)
Total comprehensive loss for the year		–	–	–	–	(603,159)	–	2,426	–	348,588	(252,145)	(5,908)	(258,053)
Issue of new shares for restricted share units ("RSUs")	*28*	321	–	(321)	–	–	–	–	–	–	–	–	–
Issue of new shares	*28*	7,820	11,785,404	–	(11,791,812)	–	–	–	–	–	1,412	–	1,412
Placing of new shares	*28*	4,463	8,912,709								8,917,172		8,917,172
Repurchase of shares	*28*	–	–	(39,580)	–	–	–	–	–	–	(39,580)	–	(39,580)
Vested awarded shares transferred to employees	*28*	–	123,627	30,675	–	–	(149,834)	–	25,326	–	29,794	–	29,794
Exercise of share options	*28*	147	114,809	–	–	–	(38,414)	–	–	–	76,542	–	76,542
Share-based compensation costs		–	–	–	–	–	341,467	–	–	–	341,467	–	341,467
Deemed interest in an interest-free loan to a non-wholly-owned subsidiary		–	–	–	–	–	–	–	(601)	–	(601)	601	–
Disposal or change of equity interests in subsidiaries		–	–	–	–	–	–	–	(41,303)	–	(41,303)	51,591	10,288
Appropriation of statutory reserves		–	–	–	–	–	–	–	37,174	(37,174)	–	–	–
Share of capital reserve of an associate		–	–	–	–	–	–	–	47	–	47	–	47
At March 31, 2021		118,859	43,281,281	(22,265)	(28,189,579)	(452,462)	363,949	43,971	143,848	(985,652)	14,301,950	(20,346)	14,281,604

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended March 31, 2020

	Notes	Attributable to owners of the parent											
		Share capital	Share premium account^	Treasury shares	Merger reserve^	Exchange fluctuation reserve^	Employee share-based compensation reserve^	Equity investment designated at FOVCI 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, net of tax		–	–	–	–	–	–	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")	*28*	315	–	(315)	–	–	–	–	–	–	–	–	–
Issue of new shares	*28*	2,667	1,997,913	–	–	–	–	–	–	–	2,000,580	–	2,000,580
Repurchase of shares	*28*	–	–	(17,814)	–	–	–	–	–	–	(17,814)	–	(17,814)
Share-based compensation costs	*29*	–	–	–	–	–	277,139	–	–	–	277,139	–	277,139
Vested awarded shares transferred to employees	*28*	–	215,335	30,142	–	–	(245,477)	–	–	–	–	–	–
Exercise of share options	*28*	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

^ These reserve accounts comprise the consolidated reserves of RMB14,205,356,000 (March 31, 2020: RMB5,176,076,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**401,219**	9,094
Adjustments for:			
Share of losses of joint ventures		**11,556**	12,737
Share of losses of associates		**26,857**	21,295
Bank interest income	5	**(164,704)**	(54,904)
Other interest income	5	**(711)**	(1,307)
Loss/(gain) on disposal of items of property and equipment		**75**	(31)
Gain on deemed partial disposal of associates	5	**(11,588)**	(41,762)
Gain on disposal of an associate	5	**—**	(21,791)
Gain on disposal of a subsidiary	5	**(70,608)**	—
Finance costs		**2,449**	21,965
Dividend income from financial assets at FVPL	5	**(1,363)**	(1,874)
Fair value (gains)/losses on financial assets at FVPL	5/6	**(55,290)**	22,003
Covid-19-related rent concessions from lessors	13(b)	**(189)**	—
Depreciation of property and equipment	6	**6,102**	5,830
Depreciation of right-of-use assets	6	**24,960**	27,295
Depreciation of investment property	6	**6,551**	7,087
Amortization of intangible assets	6	**2,013**	1,477
Reversal of impairment of trade receivables	6	**(320)**	(888)
Impairment of other receivables	6	**4,904**	—
Impairment and write-off of inventories	6	**32,475**	18,583
Impairment of a joint venture	6	**1,143**	—
Share-based compensation expenses	6/29	**396,959**	277,139
		612,490	301,948
Decrease in trade and bills receivables		**7,439**	41,796
Increase in prepayments, other receivables and other assets		**(341,917)**	(151,901)
Increase in inventories		**(283,826)**	(638,960)
Increase in trade and bills payables		**715,780**	960,575
Increase in other payables and accruals		**170,630**	57,877
increase in contract liabilities		**19,261**	19,289
Decrease/(increase) in restricted cash		**49,222**	(58,520)
Exchange differences		**(41,941)**	10,536
Cash generated from operations		**907,138**	542,640
Interest received		**132,635**	52,643
Interest element of lease payments		**(2,449)**	(3,133)
PRC taxes paid		**(23,771)**	(7,227)
Hong Kong taxes paid		**(4,126)**	(1,308)
Net cash flows generated from operating activities		**1,009,427**	583,615

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
Net cash flows generated from operating activities		**1,009,427**	583,615
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property and equipment	12	**(17,077)**	(7,567)
Purchase of items of other intangible asset	15	**(481)**	(5,944)
(Increase)/Decrease of financial assets at FVPL		**(64,546)**	1,357,034
Proceeds from disposal of items of property and equipment and intangible assets		**822**	113
Business acquisitions	31	**–**	(21,212)
Acquisition of/Capital injection in associates		**(275,574)**	–
Advances of a loan to a joint venture		**(2,500)**	–
Proceeds from disposal of a subsidiary	33	**(10,606)**	–
Proceeds from disposal of an associate		**–**	53,042
Proceeds from disposal of a joint venture		**–**	62,369
Repayment of a loan to a third party company		**25,000**	15,000
Interest received		**1,182**	2,266
Dividend received from financial assets at FVPL		**1,363**	1,874
Dividend received from investment in an associate		**–**	1,410
Capital injection in a joint venture		**–**	(113,000)
Increase in non-pledged time deposits with original maturity of more than three months when acquired		**(4,384,494)**	–
Exchange differences		**(234,573)**	–
Net cash flows (used in)/generated from investing activities		**(4,961,484)**	1,345,385
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of new shares	28	**8,917,172**	2,000,580
Repurchase of shares	28	**(39,580)**	(17,814)
Proceeds from exercise of options		**76,542**	111,982
Repayment of bank loans and other borrowings		**–**	(1,700,000)
Interest paid		**–**	(36,161)
Acquisition of minority interests		**(110)**	–
Principal portion of lease payments		**(31,616)**	(29,773)
Net cash flows generated from financing activities		**8,922,408**	328,814

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2021

	Notes	**2021** **RMB'000**	2020 RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**4,970,351**	2,257,814
Effect of foreign exchange rate changes		**(313,057)**	56,796
Cash and cash equivalents at beginning of year		**2,594,981**	280,371
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		**7,252,275**	2,594,981
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*21*	**6,419,689**	2,033,262
Non-pledged time deposits	*21*	**5,217,080**	561,719
Cash and cash equivalents as stated in the consolidated statement of financial position		**11,636,769**	2,594,981
Time deposits with original maturity of over three month when acquired	*21*	**(4,384,494)**	—
Cash and cash equivalents as stated in the consolidated statement of cash flows		**7,252,275**	2,594,981

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

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 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 the pharmaceutical direct sales business, pharmaceutical e-commerce platform business, medical and healthcare services business and digital infrastructure business.

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.[ab]	PRC/Mainland China	RMB300,000,000	–	100	Provision of e-commerce platform service
北京雲康佳檢信息技術有限公司 Zhong Xin Guo Jian Information Technology Co., Ltd.[ac]	PRC/Mainland China	RMB60,000,000	–	80	Provision of digital infrastructure services
阿里健康科技(中國)有限公司 Alibaba Health Technology (China) Limited (“Alibaba Health (China)”[a])[b]	PRC/Mainland China	RMB295,000,000	–	100	Telemedicine service, comprehensive member service to users, digital infrastructure 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.[ac]	PRC/Mainland China	RMB120,000,000	–	100	Pharmacy business

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

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. ("Lihe"[a])[c]	PRC/Mainland China	RMB20,000,000	–	100	Pharmaceutical product trading and healthcare service business
阿里健康科技(杭州)有限公司 Alibaba Health Technology (Hangzhou) Limited[ab]	PRC/Mainland China	RMB200,000,000	–	100	Provision of e-commerce platform services
弘雲久康數據技術(北京)有限公司 Hongyun Jiukang Data Technology (Beijing) Co., Ltd. ("Hongyun Jiukang"[a])[cd]	PRC/Mainland China	RMB1,000,000	–	100	Investment holding
鹿康大藥房(杭州)有限公司 Lukang Pharmacy (Hangzhou) Co., LTD[ab] (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.[ac]	PRC/Mainland China	RMB50,000,000	–	100	Network hospital services
杭州得賦健康管理有限公司 Hangzhou Defu Health Management Co., Ltd.[ac]	PRC/Mainland China	RMB1,200,000	–	100	Provision of e-commerce platform services
Ali JK ZNS (HK) Limited[ab]	Hong Kong	USD$200,200	–	100	Provision of e-commerce platform services

a For identification purposes only

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

c Registered as limited liability companies under PRC law

d The Company does not have legal ownership in the equity of Hongyun Jiukang. However, under certain contractual agreements (including a power of attorney agreement, loan agreement, equity option agreement, equity interest pledge agreement and an 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, 2021

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 combination under common control

As disclosed in note 31(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 recognize any new assets or liabilities as a result of the business combination under common control and no amount is recognized in respect of goodwill. The Company has elected not to 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended March 31, 2021. 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).

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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 29). 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.

If the Group loses control over a subsidiary, it derecognizes (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 recognizes (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 recognized 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 the prior year’s consolidated financial statements have also been reclassified to conform with the current year’s presentation.

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

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

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

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

During the year ended March 31, 2021, certain monthly lease payments for the leases of the Group's office and retail outlets have been reduced or waived by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on April 1, 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended March 31, 2021. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB189,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended March 31, 2021.

(e) 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, or both. The amendments did not have any significant impact on the financial position and 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	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after January 1, 2021

2 Effective for annual periods beginning on or after January 1, 2022

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

4 No mandatory effective date yet determined but available for adoption

5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before January 1, 2023

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from April 1, 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognize hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after January 1, 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

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 recognized 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 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after January 1, 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labor and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after January 1, 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognized as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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 recognized directly in the equity of the associate or joint venture, the Group recognizes 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 recognizes 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 recognized 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*.

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

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.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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 recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized 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 recognized 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 recognized 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, recognized 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

For assets and liabilities that are recognized 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.

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 recognized 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 recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized 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/amortization) had no impairment loss been recognized 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 capitalized 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 recognizes 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 recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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 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 recognized 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 amortization period and the amortization 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.

Leases

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

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 recognizes 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 recognized 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 recognized, 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 recognized right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term as follows:

Retail outlets	2 to 10 years
Office	1.5 to 5 years
Staff dormitory	1 to 3 years

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 recognized 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 lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (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 recognized 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 recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

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 recognized 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.

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 recognized in the statement of profit or loss when the asset is derecognized, 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 recognized 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 recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized 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 recognized 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.

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 recognized in the statement of profit or loss.

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 (continued)

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 through profit or loss are also recognized 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 recognized 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (continued)

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 recognizes 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 recognizes 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.

General approach

ECLs are recognized 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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

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 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

Simplified approach

For trade receivables 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 recognizes 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognized 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 payables, other payables and accruals and lease liabilities.

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 recognized in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortization 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 amortization is included in finance costs in the statement of profit or loss.

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 recognized in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognized amounts and there is an intention to settle on a net basis, or to realize 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 recognized directly in equity at cost. No gain or loss is recognized 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 realizable value. Cost is determined on the weighted average basis. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to sale.

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.

Provisions

A provision is recognized 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 recognized 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized 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 recognized 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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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 utilized. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognized 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 realize 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 recognized 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 recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized 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 recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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 are 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, 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 with a significant financial benefit for more than one year, revenue recognized 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) Digital infrastructure business

The Group renders series of services to the customers through its product tracking platforms, including product track and trace and the digital healthcare business. Revenue is recognized 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 sales 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 the sale of pharmaceutical and healthcare products is recorded net of discounts and recognized 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 recognized.

Marketing services

The Group provides marketing services to pharmaceutical brands primarily through display of impressions or clicks of the pharmaceutical brands’ advertisements 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 is recognized when impressions are displayed or clicks generated.

(c) *Revenues from the pharmaceutical E-commerce platform business:*

Outsourced and value-added services to Tmall Entities

The Group provides outsourced and value-added services to Tmall Entities*, 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 recognized when services are rendered and the underlying transactions of merchants are completed.

* 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)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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

E-commerce platform services

The Group provides to merchants on the Tmall e-commerce platform maintenance related software services in respect of merchant admission, product quality control, and merchant 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 recognized at the time when the underlying sale of merchandise by merchants on Tmall is completed.

(d) Revenues from the medical and healthcare service business

The Group provides a variety of standardized service packages that integrate services provided by various medical and healthcare organizations to meet the health-related needs of the users, such as health check-ups, genetic testing and vaccine inoculation. The Group principally generates revenue from selling the standardized service packages to individual customers or corporate customers. Different types of service packages provide the customers with a specific number of times of services for each service offered in the package. Revenue is recognized upon the individual service is rendered to customers.

The Group, through its online stores on Tmall and mobile apps, facilitates, the provision of services by medical and healthcare service organizations to end customers. The Group provides to medical and healthcare service organizations 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 stores. The revenue is recognized 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 stores on Tmall. The Group charges the aesthetic medicine service providers a fixed fee for services to be provided generally over a year and recognizes revenue ratably over the service period.

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(d) Revenues from the medical and healthcare service business (continued)

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

The Group also 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 recognizes revenue at the time when the service is rendered to the user.

Revenue from other sources

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

Other income

Interest income is recognized 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 recognized 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 liabilities

A contract liability is recognized 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 recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Costs of services

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

Fulfilment

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

Finance costs

Finance costs are interest on bank loans and lease liabilities of the Group.

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"). During the year ended March 31, 2021, certain employees of Alibaba Group transferred to the Company, RSUs granted by Alibaba Group to these employees were not forfeited after to the transfer. The Company has the obligation to settle all RSUs vested during these employees' service period in the Company, and measures the transaction as a cash-settled share-based payments ("cash-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 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 29 to the financial statements.

The cost of equity-settled transactions is recognized 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 recognized 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 recognized as at the beginning and end of that period.

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

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 recognized. 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 recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized 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 recognized for the award is recognized 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.

For cash-settled transactions, the fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The cost of cash-settled transactions is recognized in employee benefit expense, together with a corresponding increase in liability, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for cash-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 recognized as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension schemes

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 capitalized as part of the cost of those assets. The capitalization 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 capitalized. 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 recognized as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes 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 recognized immediately as a liability when they are proposed and declared.

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 recognized 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 recognized in other comprehensive income or profit or loss is also recognized 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 recognizes 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 recognized 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 recognized 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 recognized 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 good or service before that good 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.

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 the lease.

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

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.

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, 2021 was RMB54,576,000 (March 31, 2020: RMB54,576,000). Further details are given in note 14.

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 product) 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 analyzed.

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 a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 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 37 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 22 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Fair value of financial instruments at FVPL or FVOCI (continued)

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 the risk-free interest rate, dividend yield, expected volatility and expected probability as the parameters for applying the valuation. Further details are included in note 22 to the financial statements.

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, 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 or write-off on obsolete and slow-moving inventory items identified that are no longer suitable for sale. Management estimates the net realizable value for such inventories based primarily on the available selling prices, estimated costs to be incurred to sale 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 investment in an associate and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

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).

Measurement of share-based compensation expenses

The Company has adopted a share award scheme. Share-based compensation expenses are recorded net of estimated forfeitures in the consolidated statement of profit or loss and are recorded for those share-based awards that are expected to vest. Determining the fair value of share options and restricted share units ("RSUs") requires significant judgement. The Company estimates 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, the expected dividend yield, exercise multiple, risk-free interest rate and the expected forfeiture rate, and hence it is subject to uncertainty.

4. OPERATING SEGMENT INFORMATION

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2021	2020
	RMB'000	*RMB'000*
Mainland China	**14,873,444**	9,275,741
Hong Kong	**645,024**	320,735
	15,518,468	9,596,476

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

(b) Non-current assets

	2021	2020
	RMB'000	*RMB'000*
Mainland China	**2,199,264**	2,047,963
Hong Kong	**183,022**	151,047
	2,382,286	2,199,010

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

Information about a major customer

During the years ended March 31, 2021 and 2020, 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 the pharmaceutical direct sales business, pharmaceutical e-commerce platform business, medical and healthcare services platform and digital infrastructure business related services in the PRC.

An analysis of revenue is as follows:

	2021 **RMB'000**	2020 *RMB'000*
Pharmaceutical direct sales business	**13,216,284**	8,133,945
Pharmaceutical e-commerce platform business	**1,965,169**	1,170,333
Medical and healthcare services business*	**284,085**	252,707
Digital infrastructure business**	**52,930**	39,491
	15,518,468	9,596,476

Note

* Consumer healthcare business, internet healthcare business and other business (other than the pharmaceutical direct sales business, pharmaceutical e-commerce platform business and digital infrastructure business) have been regrouped as medical and healthcare services business to better reflect the Group's business classification, and the details of revenue for the year ended March 31, 2020 have been represented accordingly. During the Reporting Period, certain medical and healthcare services businesses switched from direct sales to a platform business, and the platform commission income was recognized on a net basis.

** During the Reporting Period, the group renamed the tracking and digital health business to digital infrastructure business.

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(i) Disaggregated revenue information

	2021	2020
	RMB'000	*RMB'000*
Type of goods or services:		
Sale of products	**12,535,890**	7,656,912
Provision of services	**2,982,578**	1,939,564
Total revenue from contracts with customers	**15,518,468**	9,596,476
Timing of revenue recognition:		
At a point in time	**14,704,729**	8,992,831
Over time	**813,739**	603,645
Total revenue from contracts with customers	**15,518,468**	9,596,476

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

Revenue recognized that was included in contract liabilities at the beginning of the Reporting Period:

	2021	2020
	RMB'000	*RMB'000*
Sale of products	**4,400**	1,708
Provision of services	**140,055**	123,458
	144,455	125,166

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(ii) Performance obligations

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

Sale of products

The performance obligation is satisfied upon delivery of the 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 within a pre-specified period of time after delivery. For B2B pharmacy sales, payment is generally due within 30 to 90 days except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return which gives rise to variable consideration subject to constraint.

Provision of services

The performance obligation is satisfied over time or at a point in time as 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, 2021 and 2020 are as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Within one year	**366,996**	261,376
More than one year	**–**	26,825
	366,996	288,201

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	2021 RMB'000	2020 RMB'000
Other Income		
Bank interest income	**164,704**	54,904
Government grants#	**52,270**	20,258
Rental income from investment property operating leases	**7,320**	8,399
Management fee income	**9,041**	7,700
Dividend income	**1,363**	1,874
Other interest income *(note 20)*	**711**	1,307
Others	**515**	3,243
	235,924	97,685
Gains		
Gain on disposal of a subsidiary *(note 33)*	**70,608**	—
Fair value gains on financial assets at FVPL	**55,290**	—
Foreign exchange difference, net	**32,418**	—
Gain on deemed partial disposal of associates	**11,588**	41,762
Gain on disposal of items of property and equipment	**—**	31
Gain on disposal of an associate	**—**	21,791
	169,904	63,584
	405,828	161,269

Government grants mainly represented incentives received in certain regions in Mainland China in which the Company's subsidiaries operate.

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6. PROFIT BEFORE TAX

	Notes	2021 RMB'000	2020 RMB'000
Cost of goods sold*		**10,262,605**	6,325,330
Cost of services provided* (excluding employee benefit expenses and share-based compensation expenses)		**1,576,165**	1,003,665
Interest on other loans**		**—**	21,879
Depreciation of property and equipment	12	**6,102**	5,830
Depreciation of right-of-use assets	13(a)	**24,960**	27,295
Depreciation of investment property	13(a)	**6,551**	7,087
Amortization of intangible assets	15	**2,013**	1,477
Lease payments not included in the measurement of lease liabilities	13(c)	**317**	636
Reversal of impairment of trade receivables***	19	**(320)**	(888)
Impairment of other receivables	20	**4,904**	—
Provision of inventories*		**18,080**	13,282
Write-off of inventories***		**14,395**	5,301
Impairment of a joint venture	16	**1,143**	—
Fair value (gains)/losses on financial assets at FVPL***		**(55,290)**	22,003
Auditor's remuneration		**3,000**	2,220
Employee benefit expense (including directors' and chief executive's remuneration)			
Wages and salaries		**371,533**	289,629
Bonuses		**140,736**	94,233
Pension scheme contributions#		**25,443**	24,670
Share-based compensation expenses	29	**396,959**	277,139
		934,671	685,671
Foreign exchange differences, net***		**(32,418)**	6,752

* 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, 2021, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2020: Nil).

7. 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:

	2021 ***RMB'000***	2020 *RMB'000*
Fees	**1,153**	1,106
Other emoluments:		
Salaries, allowances and benefits in kind	**4,050**	3,032
Performance related bonus	**2,087**	770
Share-based compensation expenses	**19,145**	23,359
Pension scheme contributions	**166**	160
	25,448	27,321
	26,601	28,427

During the year ended March 31, 2021, three directors (2020: 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 29 to the financial statements. The fair values of such options and RSUs, which have been recognized 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, 2020 and 2021 are included in the above directors' and chief executive's remuneration disclosures.

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2021 RMB'000	2020 RMB'000
Mr. Wong King On, Samuel	553	565
Mr. Yan Xuan[1]	–	6
Mr. Luo Tong	300	306
Ms. Huang Yi Fei[2]	300	229
	1,153	1,106

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

(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
2021						
Executive directors:						
Mr. Zhu Shun Yan[3]	–	2,096	940	9,123	44	12,203
Mr. Wang Qiang[4]	–	816	816	3,625	25	5,282
Mr. Tu Yanwu[5]	–	1,072	331	2,632	51	4,086
	–	3,984	2,087	15,380	120	21,571
Non-executive directors:						
Mr. Wu Yongming	–	–	–	–	–	–
Mr. Wang Lei[6]	–	66	–	3,765	46	3,877
Mr. Xu Hong[7]	–	–	–	–	–	–
	–	66	–	3,765	46	3,877
	–	4,050	2,087	19,145	166	25,448

During the year ended March 31, 2021, 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.

7. 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*
2020						
Executive directors:						
Mr. Shen Difan[8]	–	1,500	–	10,425	70	11,995
Mr. Wang Qiang[4]	–	1,495	770	5,286	45	7,596
Mr. Zhu Shun Yan[3]	–	–	–	–	–	–
	–	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[9]	–	–	–	–	–	–
Mr. Xu Hong[7]	–	–	–	–	–	–
	–	37	–	7,648	45	7,730
	–	3,032	770	23,359	160	27,321

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 an executive director and the chief executive officer on March 15, 2020.

4 Resigned as an executive director on October 23, 2020.

5 Appointed as an executive director on October 23, 2020.

6 Resigned as an executive director and the chief executive officer, and appointed as a non-executive director on March 29, 2018. Resigned as a non-executive director on October 23, 2020.

7 Appointed as a non-executive director on June 9, 2019.

8 Appointed as an executive director and the chief executive officer on March 29, 2018. Resigned as executive director and the chief executive officer on March 15, 2020.

9 Appointed as non-executive director on December 29, 2017. Resigned as non-executive director on June 9, 2019.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2020: two) director, details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining four (2020: three) non-director, highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021	2020
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**4,244**	4,900
Performance related bonuses	**2,076**	976
Share-based compensation expenses	**16,698**	11,159
Pension scheme contributions	**170**	93
	23,188	17,128

During the year ended March 31, 2021 and March 31, 2020, there was no arrangement under which anyone of the five highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to anyone of 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$5,000,000	**–**	1
HK$5,500,001 to HK$6,000,000	**1**	1
HK$6,000,001 to HK$6,500,000	**1**	–
HK$6,500,001 to HK$7,000,000	**1**	–
HK$8,500,001 to HK$9,000,000	**1**	1
	4	3

During the years ended March 31, 2021 and March 31, 2020, 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 29 to the financial statements. The fair values of such options and RSUs, which have been recognized 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.

9. INCOME TAX

	2021	2020
	RMB'000	*RMB'000*
Current — Hong Kong		
Charge for the year	**870**	979
Underprovision in prior years	**1,353**	—
Current — Mainland China		
Charge for the year	**37,188**	32,397
Overprovision in prior years	**(96)**	(12,122)
Deferred *(note 27)*	**19,224**	3,536
Total tax charge for the year	**58,539**	24,790

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong. During the year, a provision of RMB870,000 for Hong Kong profits tax has been made for assessable profits arising in Hong Kong during the year (2020: RMB979,000).

In general, in Mainland China, the Company is subject to the PRC corporate income tax rate of 25% except for one PRC subsidiary which is entitled to a preferential tax rate of 15%, and one PRC subsidiary which is entitled to the preferential tax treatment of the income tax exemptions policy during the year of 2019, and is entitled to a preferential tax rate of 15% since 2020. An income tax reversal of RMB9,500,000 was recorded by one PRC subsidiary for the year ended March 31, 2020 after the approval of the preferential tax treatment for the 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 (2020: Nil).

The share of tax charge/(credit) attributable to associates of approximately RMB3,001,000 (2020: RMB(10,045,000)) is included in "Share of profits or losses of associates" in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

9. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit 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:

2021

	Hong Kong		Mainland China		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit before tax	188,371		212,848		401,219	
Tax at the statutory tax rate	31,081	16.5	53,212	25.0	84,293	21.0
Effect of preferential tax treatment enacted by local authority	–	–	(21,788)	(10.2)	(21,788)	(5.5)
Non-deductible expenses and non-taxable income, net*	(29,842)	(15.8)	(125,052)	(58.8)	(154,894)	(38.6)
Research and development super deduction	–	–	(32,875)	(15.4)	(32,875)	(8.2)
Underprovision/(overprovision) of tax in prior years	1,353	0.7	(96)	–	1,257	0.3
Tax losses utilized from previous periods	–	–	(8,368)	(3.9)	(8,368)	(2.1)
Tax losses and deductible temporary differences not recognized	1,865	1.0	178,206	83.7	180,071	44.9
Withholding tax in PRC	10,843	5.8	–	–	10,843	2.7
Tax charge at the Group's effective rate	15,300	8.1	43,239	20.3	58,539	14.6

9. INCOME TAX (CONTINUED)

2020

	Hong Kong		Mainland China		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit/(loss) before tax	67,052		(57,958)		9,094	
Tax at the statutory tax rate	11,064	16.5	(14,490)	25	(3,426)	(37.7)
Effect of preferential tax treatment enacted by local authority	—	—	8,018	(13.8)	8,018	88.2
Non-deductible expenses and non-taxable income, net*	(11,570)	(17.3)	(14,291)	24.7	(25,861)	(284.4)
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)
Tax losses utilized from previous periods	—	—	(32,691)	56.4	(32,691)	(359.5)
Tax losses and deductible temporary differences not recognized	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

* This item includes share-based compensation expense, interest income and unrealised exchange differences.

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

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 13,245,718,572 (2020: 11,931,343,239) in issue during the year.

The calculation of the diluted earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or vesting of all dilutive potential ordinary shares into ordinary shares.

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

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

	2021	2020
	RMB'000	*RMB'000*
EARNINGS/(LOSS)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation:		
From continuing operations	**348,588**	(6,586)

	Number of shares	
	2021	2020
SHARES		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**13,245,718,572**	11,931,343,239
Effect of dilution — weighted average number of ordinary shares:		
Share options	**13,098,726**	—
RSUs	**67,707,377**	—
	13,326,524,675	11,931,343,239

Certain share options and RSUs of the Group were anti-dilutive and ignored in the calculation of diluted earnings per share for the year ended March 31, 2021. (No adjustment has been made to the basic loss per share amounts presented for the year ended March 31, 2020 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.)

11. DIVIDENDS

The board does not recommend the payment of dividend for the year ended March 31, 2021 (For the year ended March 31, 2020: Nil).

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

12. PROPERTY AND EQUIPMENT

	Leasehold improvements *RMB'000*	Computer equipment, furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
March 31, 2021				
At March 31, 2020 and at April 1, 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
At April 1, 2020, net of accumulated depreciation and impairment	5,461	7,491	47	12,999
Additions	10,671	6,406	–	17,077
Disposals	(739)	(158)	–	(897)
Disposal of a subsidiary *(note 33)*	(8,358)	(1,291)	–	(9,649)
Depreciation provided during the year *(note 6)*	(1,870)	(4,188)	(44)	(6,102)
At March 31, 2021, net of accumulated depreciation and impairment	5,165	8,260	3	13,428
At March 31, 2021:				
Cost	16,105	78,275	307	94,687
Accumulated depreciation and impairment	(10,940)	(70,015)	(304)	(81,259)
Net carrying amount	5,165	8,260	3	13,428

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

12. PROPERTY AND EQUIPMENT (CONTINUED)

	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 31)*	1,742	716	—	2,458
Disposals	(31)	(51)	—	(82)
Depreciation provided during the year *(note 6)*	(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

13. 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 *RMB'000*	**Investment property** *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 and April 1, 2020	**59,333**	**10,599**
Additions	**2,974**	**—**
Transfer	**4,048**	**(4,048)**
Depreciation charge	**(24,960)**	**(6,551)**
Revision of a lease term arising from a change in the non-cancellable period of a lease	**(2,534)**	**—**
As at March 31, 2021	**38,861**	**—**

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

13. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Carrying amount at April 1,	**69,755**	68,301
New leases	**2,974**	31,227
Accretion of interest recognized during the year	**2,449**	3,133
Covid-19-related rent concessions from lessors	**(189)**	—
Payments	**(34,065)**	(32,906)
Revision of a lease term arising from a change in the non-cancellable period of a lease	**(3,184)**	—
Carrying amount at March 31,	**37,740**	69,755
Analyzed into:		
Current portion	**20,334**	32,030
Non-current portion	**17,406**	37,725

The maturity analysis of lease liabilities is disclosed in note 38 to the financial statements.

As disclosed in note 2.2 to the financial statements, the Group has early adopted the amendment to HKFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain office and retail outlets during the year.

13. LEASES (CONTINUED)

The Group as a lessee (continued)

(c) ***The amounts recognized in profit or loss in relation to leases are as follows:***

	2021 *RMB'000*	2020 *RMB'000*
Interest on lease liabilities	**2,449**	3,133
Depreciation charge of right-of-use assets	**24,960**	27,295
Depreciation charge of investment property	**6,551**	7,087
Expense relating to short-term leases and other leases with remaining lease terms ended on or before year end	**317**	636
Covid-19-related rent concessions from lessors	**(189)**	—
Total amount recognized in profit or loss	**34,088**	38,151

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 32 and 34, respectively, 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 recognized by the Group during the year was RMB7,320,000 (2020: RMB8,399,000), details of which are included in note 5 to the financial statements.

At March 31, 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 *RMB'000*	2020 *RMB'000*
Within one year	**–**	7,320

14. GOODWILL

	RMB'000
Cost and net carrying amount at March 31, 2020 and March 31, 2021	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 the PRC; and
- B2B business in the PRC.

PRC B2C and related business CGU

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.

PRC B2B business CGU

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 centralized procurement and distribution industry.

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	PRC B2C and related business CGU		**PRC B2B business CGU**		**Total**	
	2021 ***RMB'000***	2020 *RMB'000*	**2021** ***RMB'000***	2020 *RMB'000*	**2021** ***RMB'000***	2020 *RMB'000*
Carrying amount of goodwill	**49,060**	49,060	**5,516**	5,516	**54,576**	54,576

14. GOODWILL (CONTINUED)

Impairment testing of goodwill (continued)

PRC B2B business CGU (continued)

Assumptions were used in the value in use calculation of the PRC B2C and related business CGU and PRC B2B business 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.

15. OTHER INTANGIBLE ASSETS

	Patents and licences *RMB'000*
March 31, 2021	
Cost at April 1, 2020, net of accumulated amortization	**4,467**
Additions	**481**
Amortization provided during the year *(note 6)*	**(2,013)**
At March 31, 2021	**2,935**
At March 31, 2021:	
Cost	**6,425**
Accumulated amortization	**(3,490)**
Net carrying amount	**2,935**

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

15. OTHER INTANGIBLE ASSETS (CONTINUED)

	RMB'000
March 31, 2020	
Cost at April 1, 2019, net of accumulated amortization	—
Additions	5,944
Amortization provided during the year *(note 6)*	(1,477)
At March 31, 2020	4,467
At March 31, 2020	
Cost	5,944
Accumulated amortization	(1,477)
Net carrying amount	4,467

16. INVESTMENTS IN JOINT VENTURES

	2021	2020
	RMB'000	*RMB'000*
Share of net assets	**99,691**	111,247
Impairment*	**(1,143)**	—
	98,548	111,247

* Impairment was recognized for an unlisted investment in and amount due from a joint venture with a carrying amount of RMB1,143,000 (before deducting the impairment loss) (2020: Nil).

16. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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")	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")	Registered capital of RMB1 each	PRC/ Mainland China	13.724	13.724	13.724	Investment management

@ For identification purposes only

* Zhejiang Bian Que and Jiangsu Zijin have a financial year ending December 31, and their financial statements may not be available in a timely manner for the Group to apply the equity method, and therefore the Group elects to record its shares of the profits or losses of Zhejiang Bian Que and Jiangsu Zijin on a quarterly lag basis. Accordingly, the Group elects to pick up financial statements of these joint ventures using their annual financial statements for the year ended December 31, 2020 for the current year (2019: year ended December 31, 2019).

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:

	2021 ***RMB'000***	2020 *RMB'000*
Share of the joint ventures' loss and total comprehensive loss for the year	**(11,556)**	(12,737)
Aggregate carrying amount of the Group's investments in the joint ventures	**98,548**	111,247

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

17. INVESTMENTS IN ASSOCIATES

	2021 *RMB'000*	2020 *RMB'000*
Share of net assets	**832,826**	698,515
Goodwill on acquisition	**1,341,112**	1,247,274
Total	**2,173,938**	1,945,789

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") *(note ii)*	Registered capital of RMB1 each	PRC/Mainland China	9.5	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 iii)*	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 systems
江蘇曼荼羅軟件股份有限公司 (Jiangsu Mandalat Software Company Limited)@*^# ("Mandalat") *(note iv)*	Registered capital of RMB1 each	PRC/Mainland China	11.278	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 v)*	Registered capital of RMB1 each	PRC/Mainland China	8.838	Pharmaceutical retail chain business

17. INVESTMENTS IN ASSOCIATES (CONTINUED)

Name	Particulars of capital held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
貴州一樹連鎖藥業有限公司 (Guizhou Ensure Chain Pharmacy Company Limited)@*# ("Guizhou Ensure")	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")	Registered capital of RMB1 each	PRC/Mainland China	5	Pharmaceutical retail chain business
來未來科技（浙江）有限公司 (Laiweilai Technology (Zhejiang) Co., Ltd)@*# ("Laiweilai") *(note vi)*	Registered capital of RMB1 each	PRC/Mainland China	30	Construction of intelligent medical platform business

@ 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 a timely manner for the Group to apply the equity method, and therefore the Group elects to record its shares of the profits or losses of these associates on a quarterly 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, 2020 for the current year (2019: year ended December 31, 2019).

The above investments are indirectly held by the Company.

Note i: The equity interest in Wanliyun held by Alibaba Health (China) was diluted to 23.28% during the year ended March 31, 2020 as a result of capital injection in Wanliyun by new investors.

Note ii: The equity interest in Company A held by Alibaba Health (China) was diluted to 9.5% during the year ended March 31, 2021 as a result of capital injection in Company A by new investors.

Note iii: 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.

The equity interest in Jiahe Meikang held by Alibaba Health (China) was diluted to 14.55% during the year ended March 31, 2020 as a result of capital injection in Jiahe Meikang by new investors.

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17. INVESTMENTS IN ASSOCIATES (CONTINUED)

Note iv: The equity interest in Mandalat held by Alibaba Health (China) was diluted to 11.278% during the year ended March 31, 2021 as a result of capital injection in Mandalat by new investors.

Note v: The equity interest in Anhui Huaren held by Alibaba Health (China) was diluted to 9.245% during the year ended March 31, 2020 as a result of capital injection in Anhui Huaren by new investors.

The equity interest in Anhui Huaren held by Alibaba Health (China) was diluted to 8.838% during the year ended March 31, 2021 as a result of capital injection in Anhui Huaren by new investors.

Note vi: During the year ended March 31, 2021, the Group, through two of its wholly-owned subsidiaries, acquired 30% equity interests of Laiweilai, a company established in the PRC with limited liability, with consideration of RMB216,000,000 in cash and 80% equity interest in Seenew Medical Technology (Zhejiang) Co., Ltd. ("熙牛醫療科技(浙江)有限公司") ("Seenew Medical"), which are fully paid as of March 31, 2021.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2021	2020
	RMB'000	*RMB'000*
Share of the associates' loss for the year and total comprehensive loss for the year	**(26,857)**	(21,295)
Aggregate carrying amount of the Group's investments in the associates	**2,173,938**	1,945,789

18. INVENTORIES

	2021	2020
	RMB'000	*RMB'000*
Inventories	**1,468,609**	1,217,258

19. TRADE AND BILLS RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**326,766**	319,278
Bills receivable	**13,437**	32,171
	340,203	351,449
Impairment	**(26,588)**	(26,908)
	313,615	324,541

19. TRADE AND BILLS RECEIVABLES (CONTINUED)

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 RMB53,161,000 (2020: RMB80,178,000) and the Group's associates of approximately RMB91,000 (2020: RMB24,394,000), which are repayable on credit terms similar to those offered to major customers of the Group.

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:

	2021 ***RMB'000***	2020 *RMB'000*
Within 3 months	**177,677**	266,972
3 to 12 months	**122,501**	25,398
	300,178	292,370

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

	2021 ***RMB'000***	2020 *RMB'000*
At April 1	**26,908**	27,796
Reversal of impairment *(note 6)*	**(320)**	(888)
At March 31	**26,588**	26,908

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. 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.

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19. 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, 2021

	Ageing				
	Less than 6 months	**7 to 12 months**	**13 to 24 months**	**Over 24 months**	**Total**
Expected credit loss rate	**0.01%**	**0.03%**	**0.00%**	**100.00%**	**8.14%**
Gross carrying amount (RMB'000)	**284,138**	**16,058**	**–**	**26,570**	**326,766**
Expected credit losses (RMB'000)	**13**	**5**	**–**	**26,570**	**26,588**

As at March 31, 2020

	Ageing				
	Less than 6 months	7 to 12 months	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
Expected credit losses (RMB'000)	338	–	–	26,570	26,908

Bills receivables 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, 2021.

Transferred financial assets that are not derecognised in their entirety

The Group had no such endorsement at March 31, 2021 and March 31, 2020.

19. TRADE AND BILLS RECEIVABLES (CONTINUED)

Transferred financial assets that are derecognised in their entirety

At March 31, 2021, 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 RMB6,972,000 (2020: RMB4,055,000). 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, 2021, the Group has not recognized any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognized from the Continuing Involvement, both during the year or cumulatively. The endorsement was made evenly throughout the year.

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 *RMB'000*	2020 *RMB'000*
Current:		
Prepayments	**310,423**	148,867
Other receivables and other assets	**466,053**	266,481
	776,476	415,348
Impairment	**(6,760)**	(1,856)
	769,716	413,492
Non-current:		
Long-term receivables *(note i)*	**9,524**	21,732
	779,240	435,224

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20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

Note i: The other receivables and other assets as at March 31, 2021 mainly consisted of deposits. As at March 31, 2020 it mainly consisted of non-current portion of a loan to a shareholder of HL95, which is secured by a pledge of 25% of HL95's equity and bore interest at a rate of 3% per annum. The loan is due in August, 2021 and current portion of the loan was transferred to other receivables as at March 31, 2021.An interest income of RMB711,000 was earned by the Group from this loan during the year ended March 31, 2021 (2020: RMB1,307,000).

The movements in provision for impairment of other receivables during the year are as follows:

	2021	2020
	RMB'000	*RMB'000*
At April 1, 2020	**1,856**	1,856
Impairment losses recognized	**4,904**	—
At March 31, 2021	**6,760**	1,856

The individually impaired other receivables of RMB6,760,000 (2020: RMB1,856,000) relate to debtors that were in default and the outstanding receivables are not expected to be recovered.

21. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2021	2020
	RMB'000	*RMB'000*
Cash and bank balances	**6,419,689**	2,033,262
Restricted cash	**11,017**	60,239
Time deposits with original maturity of three months or less when acquired and cash equivalents placed at payment platform	**832,586**	561,719
Time deposits with original maturity of over three months when acquired	**4,384,494**	—
Total	**11,647,786**	2,655,220
Less:		
Restricted cash	**(11,017)**	(60,239)
Cash and cash equivalents	**11,636,769**	2,594,981

21. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (CONTINUED)

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 RMB3,163,012,000 (2020: RMB1,854,746,000). 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 authorized 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 three month and one year 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 RMB46,679,000 (2020: RMB123,071,000) 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.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	RMB'000	*RMB'000*
Financial asset at FVPL		
Non-current:		
Unlisted investment *(note i)*	**976,453**	455,890
Put option *(note ii)*	**6,573**	6,888
Others	**1,430**	—
	984,456	462,778
Current:		
Other unlisted investments *(note iii)*	**–**	402,485
	–	402,485

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March 31, 2021

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Note i: Unlisted 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 engaged in the pharmaceutical retail chain business, and the 7.55% interest in LinkDoc Technology Limited (零氪科技有限公司) ("LinkDoc"), a private company established in the PRC with limited liability in the medical data solutions and oncology big data platforms 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 hold a 9.34% equity interest of ShuYu Civilian. The Group does not have a 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 a financial asset at FVPL as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

In February, 2021, the Group, through a wholly owned subsidiary, acquired 7.55% equity interests of LinkDoc for a cash consideration of US$71,138,061, and accounted for this investment as financial asset at FVPL as the issuer's financial instrument includes contractual obligation to deliver cash for the investors' redemption right.

The fair value of the unlisted 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 the 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 the option pricing model to estimate the DLOM.

Note ii: In connection with the capital injection in a company in respective of the medical business, an associate of the Group, as further explained in note 17 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 fails to complete a qualified initial public offering before December 31, 2022.

Upon initial recognition, the Group's put option was classified as a financial asset measured at fair value through profit or loss.

The fair value of the put option was estimated as at the date of grant and each financial reporting period end, using the 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, 2021	March 31, 2020
Expected volatility (%)	**45**	40
Expected dividend (%)	**0.00**	0.00
Exercise probability(%)	**30**	30
Risk-free interest rate (%)	**2.76**	2.01

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 iii: Other unlisted investments at March 31, 2020 were wealth management products issued by banks in the PRC. They were mandatorily classified as financial assets at FVPL as their contractual cash flows are not solely payments of principal and interest.

23. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 *RMB'000*	2020 *RMB'000*
Equity investment designated at FVOCI		
Unlisted equity investment, at fair value:		
IK Healthcare Holdings Limited ("IK Healthcare")	**163,212**	173,456

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, pursuant to which Ali JK Medical Products Limited shall subscribe for 433,082 new shares, representing no less than 1% equity interest in IK Healthcare at a total subscription price of US$17,842,978.40 (approximately to RMB119,801,000). IK Healthcare 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 constituted a connected transaction. For details of the transaction, please refer to announcement of the Company dated March 18, 2019.

The fair value of the 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 DLOM. Comparable companies are actively traded in the stock market and the multiples are publicly available. Also, to adjust the fair value difference between a publicly traded company and a private company, an independent valuer has applied the option pricing model to estimate the DLOM.

24. 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:

	2021 *RMB'000*	2020 *RMB'000*
Within 3 months	**1,268,105**	973,060
3 to 12 months	**1,184,311**	683,915
Over 12 months	**99,134**	208,551
	2,551,550	1,865,526

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

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March 31, 2021

24. TRADE AND BILLS PAYABLES (CONTINUED)

Included in the Group's trade payables are amounts due to subsidiaries of Alibaba Group of approximately RMB1,284,969,000 (2020: RMB950,468,000), which are repayable on credit terms similar to those offered by the related companies to their major customers.

25. OTHER PAYABLES AND ACCRUALS

	2021 *RMB'000*	2020 *RMB'000*
Other payables	**482,439**	453,605
Accruals	**105,730**	59,645
	588,169	513,250

Other payables are non-interest-bearing and have an average term of three months.

26. CONTRACT LIABILITIES

Details of contract liabilities as at March 31, 2021 and March 31, 2020 are as follows:

	March 31, 2021 *RMB'000*	March 31, 2020 *RMB'000*
Pharmaceutical direct sales business	**62,559**	43,291
Digital infrastructure business	**66,454**	66,696
Medical and healthcare services business	**61,528**	61,293
	190,541	171,280

Contract liabilities include short-term advances received for the provision of digital infrastructure and advertising related services. The increase in contract liabilities as at March 31, 2020 and 2021 was mainly due to the incentive policy of early collection and increasing scale of services.

27. 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, 2019	–	840	10,837	11,677
Deferred tax charged to the statement of profit or loss *(note 9)*	–	(475)	4,011	3,536
Deferred tax charged to other comprehensive income	4,616	–	–	4,616
Gross deferred tax liabilities at March 31, 2020 and April 1, 2020	**4,616**	**365**	**14,848**	**19,829**
Deferred tax charged to the statement of profit or loss *(note 9)*	**–**	**12,554**	**6,670**	**19,224**
Deferred tax charged to other comprehensive income	**269**	**–**	**–**	**269**
Gross deferred tax liabilities at March 31, 2021	**4,885**	**12,919**	**21,518**	**39,322**

	2021	2020
	RMB'000	*RMB'000*
Deferred tax liabilities recognized in the consolidated statement of financial position	**(39,322)**	(19,829)

27. DEFERRED TAX (CONTINUED)

Deferred tax liabilities (continued)

Deferred tax assets have not been recognized in respect of the following items:

	2021	2020
	RMB'000	*RMB'000*
Tax losses	**1,253,530**	475,524
Deductible temporary differences	**249,953**	149,632
	1,503,483	625,156

The Group has tax losses arising in Hong Kong of approximately RMB13,057,000 (2020: RMB8,826,000) 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 RMB1,240,473,000 (2020: RMB466,698,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognized 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 utilized.

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 5%. 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, 2021, no deferred tax has been recognized 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 recognized totalled approximately RMB282,696,000 at March 31, 2021 (2020: RMB112,197,000). At March 31, 2021, there were unremitted earnings shared by the Group of approximately RMB97,406,000 (2020: RMB89,954,000) 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.

28. SHARE CAPITAL

Shares

	2021	2020
	RMB'000	*RMB'000*
13,487,965,042 (2020: 12,074,135,224) ordinary shares of HK$0.01 each	**118,859**	106,108

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, 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 a)*	34,933,810	315	–	(315)	–
Repurchase of shares *(note b)*	–	–	–	(17,814)	(17,814)
Vested awarded shares transferred to employees *(note c)*	–	–	215,335	30,142	245,477
Share options exercised *(note d)*	25,332,700	228	164,641	–	164,869
Issue of shares *(note e)*	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
At March 31 and April 1, 2020	**12,074,135,224**	**106,108**	**22,344,732**	**(13,039)**	**22,437,801**
Issue of shares for RSUs to be vested in subsequent periods *(note a)*	**37,800,000**	**321**	**–**	**(321)**	**–**
Repurchase of shares *(note b)*	**–**	**–**	**–**	**(39,580)**	**(39,580)**
Vested awarded shares transferred to employees *(note c)*	**–**	**–**	**123,627**	**30,675**	**154,302**
Share options exercised *(note d)*	**16,402,500**	**147**	**114,809**	**–**	**114,956**
Issue of shares *(note f)*	**1,359,627,318**	**12,283**	**20,698,113**	**–**	**20,710,396**
At March 31, 2021	**13,487,965,042**	**118,859**	**43,281,281**	**(22,265)**	**43,377,875**

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March 31, 2021

28. SHARE CAPITAL (CONTINUED)

Shares (continued)

Notes:

a. In June 2020, September 2020 and March 2021, 37,800,000 shares of HK$0.01 each were issued for restricted share units to be vested for non-connected persons. (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.)

b. In March 2021, 2,000,000 shares of HK$0.01 each were repurchased for restricted share units to be vested for connected persons at a total cash consideration of RMB39,580,000. (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.)

c. Upon vesting of restricted share units for the year ended March 31, 2021, 30,990,000 issued shares were transferred to non-connected persons and 2,353,000 repurchased shares were transferred to connected persons, respectively. (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.)

d. Certain employees exercised share options from April 2020 to March 2021. The total number of options exercised was 16,402,500. (Certain employees exercised share options from April 2019 to March 2020. The total number of options exercised was 25,332,700.)

e. 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"). 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 the announcement of the Company dated May 23, 2019.

f. On April 9, 2020, 860,874,200 shares were issued to Ali JK. This constituted connected transaction of the Company in accordance with the Listing Rules. For details of the transaction, please refer to the announcement of the Company dated February 7, 2020.

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

29. SHARE-BASED COMPENSATION COSTS

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 RSU, 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 highest 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 are 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.

29. SHARE-BASED COMPENSATION COSTS (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 share options *'000*	Number of RSUs *'000*
Outstanding at 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 and April 1, 2020	4.84	28,679	85,761
Granted during the year	**19.92**	**6,698**	**23,847**
Forfeited or lapsed during the year	**6.91**	**(1,694)**	**(14,225)**
Exercised or vested during the year	**5.20**	**(16,403)**	**(33,343)**
Outstanding at March 31, 2021	**10.14**	**17,280**	**62,040**

The weighted average grant date fair value per unit for share options at March 31, 2021 was RMB4.88 (2020: RMB2.23) and the weighted average grant date fair value per unit for RSUs at March 31, 2021 was RMB10.85 (2020: RMB6.50).

For share options outstanding at the end of the reporting period, the exercise prices ranged from HK$3.61 to HK$19.94 per share. The exercise period of the share options is from the vesting date to 10 years from the grant date. 17,280,000 share options of the Group were outstanding as at March 31, 2021 with the weighted average remaining contractual life of 7.21 years (2020: 7.16 years).

As at March 31, 2021, the remaining vesting periods for the share options and RSUs granted ranged from 3 month to 48 months (2020: 3 months to 48 months).

29. SHARE-BASED COMPENSATION COSTS (CONTINUED)

Share award scheme (continued)

There were no share options granted during the year ended March 31, 2020. The fair value of share options granted during the year ended March 31, 2021 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

	Share options granted in 2021
Fair value of the Company's shares as at the grant date	**HK$9.34~HK$11.13**
Expected volatility (%)	**65**
Expected dividend (%)	**0.00**
Exercise multiple	**1.5~2.6**
Exercise price	**HK$18.66~HK$19.94**
Risk-free interest rate (%)	**0.5**
Forfeiture rate (%)	**14~20**

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

The fair values of the RSUs granted during the years ended March 31, 2021 were determined based on the market value of the Company's shares at the respective grant dates.

The fair values of RSUs granted by Alibaba Group to employees transferred from other entities of Alibaba Group to the Company were measured with reference to Alibaba Group's closing share price of the employment transfer date. The Company is obligated to pay a cash consideration to Alibaba Group for such employees' service period at the Group on a pro rata basis when these RSUs were vested.

29. SHARE-BASED COMPENSATION COSTS (CONTINUED)

Share award scheme (continued)

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

	2021	2020
	RMB'000	*RMB'000*
Cost of revenue	**16,512**	8,893
Sales and marketing expenses	**121,358**	102,039
Administrative expenses	**90,321**	74,339
Product development expenses	**138,642**	72,729
Fulfilment	**30,126**	19,139
Total	**396,959**	277,139

At the end of the reporting year, the Company had approximately 17,280,000 share options and 62,040,000 RSUs outstanding under the Share Award Scheme, which represented approximately 0.59% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options and RSUs, under the present capital structure of the Company, would result in the issue of approximately 63,191,000 additional ordinary shares of the Company and additional share capital of HK$631,910 (equivalent to approximately RMB551,688) (before issue expenses), the purchase of 663,000 existing shares from the market and the release of 15,466,000 shares from treasury shares.

The Company recognized share-based compensation expenses of RMB55,492,000 for awards under Alibaba Group's Share Award Scheme for the year ended March 31, 2021 (2020: Nil) with a corresponding payable of RMB55,492,000 due to Alibaba Group recorded at the end of the reporting year (2020: Nil).

30. 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 119 to page 120 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 reorganization 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.

31. BUSINESS COMBINATION

(A) Business combination under common control

The Group adopts merger accounting for common control combinations in respect of the following transaction:

On April 9, 2020, the Group acquired a 100% equity interest in Ali JK ZNS Limited and its subsidiaries, Ali JK ZNS (HK) Limited, and Hangzhou Defu Health Management Co., Ltd.^ (杭州得賦健康管理有限公司), (collectively referred to as the "Ali JK ZNS Group") from Ali JK Nutritional Products Holding Limited, (the "Vendor"), a direct-wholly-owned subsidiary of Alibaba Holding. As the Company and Ali JK ZNS Group are under the common control of Alibaba Holding before and after the acquisition, the business combination has been accounted as a business combination under common control using merger accounting.

The consideration of HK$8,075.0 million was satisfied by the Company issuing 860,874,200 shares on April 9, 2020 to the Vendor. The fair value of these consideration shares was HK$12,982.0 million (approximately RMB11,793.2 million) based on the market price of HK$15.08 per ordinary share as at April 9, 2020. The difference of RMB11,791.8 million between the fair value of consideration shares issued of approximately RMB11,793.2 million and the carrying amount of approximately RMB1.4 million of the net assets of the Ali JK ZNS Group at the acquisition date is recognized in the merger reserve. Ali JK ZNS Group was established by the Vendor to hold the business which comprises: (i) all merchant relationships with the target merchants for the sale of target products and services on Tmall.com and (ii) certain relevant marketing and operations personnel managing the relationships with the target merchants. The business earns commissions from merchants when sales of target products on Tmall.com were completed.

Since the acquisition, the Ali JK ZNS Group contributed RMB204,686,000 to the Group's revenue and profit of RMB109,134,000 to the consolidated profit for the year ended March 31, 2021.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, except for the transactions disclosed in note 17 to the consolidated financial statements, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,974,000 (2020: RMB31,227,000) and RMB2,974,000 (2020: RMB31,227,000), respectively, in respect of lease arrangements for plant and equipment.

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March 31, 2021

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities

	2021 Lease liabilities *RMB'000*	2020 Lease liabilities *RMB'000*
Carrying amount at April 1,	**69,755**	—
Effect of adoption of HKFRS 16	**—**	68,301
Carrying amount at April 1, (restated)	**69,755**	68,301
Changes from financing cash flows	**(31,616)**	(29,773)
New leases	**2,974**	31,227
Interest expense	**2,449**	3,133
Interest paid classified as operating cash flows	**(2,449)**	(3,133)
Covid-19-related rent concessions from lessors	**(189)**	—
Revision of a lease term arising from a change in the non-cancellable period of a lease	**(3,184)**	—
Carrying amount at March 31,	**37,740**	69,755

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 *RMB'000*	2020 *RMB'000*
Within operating activities	**2,766**	3,769
Within financing activities	**31,616**	29,773
	34,382	33,542

33. DISPOSAL OF A SUBSIDIARY

	Note	**2021** ***RMB'000***
Net assets disposed of:		
Property, plant and equipment	*12*	**9,649**
Other receivables and other assets		**3**
Cash and bank balances		**10,606**
Trade and bills receivables		**3,807**
Prepayments and other receivables		**6,657**
Trade payables		**(29,756)**
Accruals and other payables		**(53,226)**
Non-controlling interests		**10,452**
		(41,808)
Gain on disposal of a subsidiary	*5*	**70,608**
		28,800
Satisfied by:		
Equity		**28,800**

During the year ended March 31, 2021, the Group entered into an agreement with Laiweilai to transfer its 80% equity interest in Seenew Medical to make in-kind contribution equivalent to RMB28,800,000 for capital injection in Laiweilai. For more details, please refer to Note 17(vi).

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

34. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	March 31, 2021 ***RMB'000***	March 31, 2020 *RMB'000*
Contracted, but not provided for:		
Capital contribution payable to joint ventures	**167,500**	167,500

(b) The Group had no lease contracts that have not yet commenced as at March 31, 2021.

35. 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	**2021** ***RMB'000***	2020 *RMB'000*
Services and products received from related parties:			
Share-based compensation paid to connected persons for the services provided	*(i)*	**(29,409)**	(27,923)
Cloud computing services received from Alibaba Cloud	*(ii)*	**(4,573)**	(5,798)
Internet information and other related services received from relevant entities of Alibaba Group	*(iii)*	**(301,227)**	(262,471)
Shared services received from Alibaba Group	*(iv)*	**(262,096)**	(103,352)
Marketing services received from Alibaba Group	*(v)*	**(378,573)**	(188,872)
Logistics and warehouse services received from a subsidiary of Alibaba Holding	*(vi)*	**(242,467)**	(103,550)
Payment services received from Alipay	*(vii)*	**(66,093)**	(40,385)
Technical services received from Tmall Entities[@] regarding Blue Cap Health Food	*(viii)*	**(69,456)**	(59,745)
Technical services received from Tmall Entities regarding medical devices, healthcare products, adult products, and medical and healthcare services	*(ix)*	**(794,555)**	(500,520)
Technical services received from Tmall Entities regarding Tmall Products and Services[#] and Tmall Global Products and Services	*(x)*	**(177,865)**	—
Products received from Alibaba Group	*(xi)*	**(10,118)**	(30,058)
Business sourcing and promotion services from Koubei	*(xii)*	**(27,030)**	—

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

	Notes	**2021** *RMB'000*	2020 *RMB'000*
Services and products provided to related parties:			
Products provided to Alibaba Group	*(xi)*	**161**	1,588
Products provided to associates of the Group	*(xiii)*	**12,624**	47,060
Incentive fee received from a subsidiary of Alibaba Holding	*(xiv)*	**103**	2,911
Outsourced and value-added services provided to Taobao Group	*(xv)*	**105,676**	93,816
Tracking related services provided to a subsidiary of Alibaba Holding	*(xvi)*	**1,576**	1,955
Rent received from a subsidiary of Alibaba Holding	*(xvii)*	**7,384**	8,057
Service fees of software services received from Taobao Group	*(xviii)*	**34,248**	—
Others:			
Interest expense to Alibaba Holding		**—**	(20,775)
Subscription Agreement with Antfin and Ali JK	*(note 28(e/f))*	**11,793,224**	2,000,580
Loans to a joint venture		**2,500**	
Acquisition of equity interest of Laiweilai from associates of a non-executive Director	*(xix)*	**216,000**	—
Disposal of an equity investment to an associate		**—**	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).

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

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

Notes:

(i) On June 14, 2019, the Company granted 1,436,000 RSUs to four connected persons 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.

On June 15, 2020, the Company granted 3,482,500 options and 733,000 RSUs to four connected persons of the Company under the Share Award Scheme. Further details of the transaction were set out in the announcement of the Company dated June 15, 2020.

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(ii) On March 27, 2020, Alibaba Health Technology (China) Co., Ltd.^ (阿里健康科技(中國)有限公司) ("Alibaba Health (China)"), an indirect-wholly-owned subsidiary of the Company, and Alibaba Cloud Computing Ltd.^ (阿里雲計算有限公司) ("Alibaba Cloud"), a consolidated entity of Alibaba Holding, renewed the 2020 Cloud Computing Services Agreement by entering into the 2021 Cloud Computing Services Agreement for a term of one year from April 1, 2020 to March 31, 2021, pursuant to which Alibaba Cloud provided various cloud computing services and other related services to the Group. Further details of the transaction were set out in the announcement of the Company dated March 27, 2020.

On March 30, 2021, the same parties entered into the 2022 Cloud Computing Services Framework Agreement for a term of one year from April 1, 2021 to March 31, 2022. Further details of the transaction were set out in the announcement of the Company dated March 30, 2021.

(iii) On February 7, 2020, Alibaba Holding and the Company renewed the 2020 Platform Services Framework Agreement by entering into the 2021 Platform Services Framework Agreement, for a term of one year commencing on April 1, 2020 to March 31, 2021, pursuant to which the AGH relevant entities# provided to the Group Internet information related software technical services and other related services. 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 February 5, 2021, the same parties entered into the 2022 Platform Services Framework Agreement for a term of one year from April 1, 2021 to March 31, 2022. Further details of the transaction were set out in the announcement of the Company dated February 5, 2021. The transaction was approved by the Company's independent shareholders at a special general meeting.

AGH relevant entities refers to Alibaba Holding and its subsidiaries, including but not limited 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), Alibaba (China) Software Co., Ltd.^ (阿里巴巴(中國)軟件有限公司), Zhejiang Taobao Network Co., Ltd.^ (浙江淘寶網絡有限公司), Taobao (China) Software Co., Ltd.^ (淘寶(中國)軟件有限公司), Ecart Services Malaysia Sdn. Bhd., Lazada Singapore Pte. Ltd., Lazada Ltd., Lazada E-Services Philippines, Inc., PT. Ecart Webportal Indonesia, Recess Company Limited, Kobron Hong Kong Development Limited, Taobao China Holding Limited ("Taobao China"), Alibaba.com Singapore E-Commerce Private Limited ("Alibaba Singapore"), Zhejiang Alibaba Communication Technology Co., Ltd.^ (浙江阿里巴巴通信技術有限公司), DingTalk Technology Co., Ltd.^ (釘釘科技有限公司), DingTalk (China) Information Technology Co., Ltd.^ (釘釘(中國)信息技術有限公司), Tmall Technology and Tmall Network and their subsidiaries, collectively.

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(iv) On March 27, 2020, Alibaba Holding and the Company renewed the 2020 Shared Services Agreement by entering into the 2021 Shared Services Agreement for a term of one year from April 1, 2020 to March 31, 2021, pursuant to which Alibaba Holding procured relevant Alibaba Service Providers# to provide to the Group with the shared services. Further details of the transaction were set out in the announcement of the Company dated March 27, 2020.

On March 30, 2021, the same parties entered into the 2022 Shared Services Agreement for a term of one year from April 1, 2021 to March 31, 2022. Further details of the transaction were set out in the announcement of the Company dated March 30, 2021.

Alibaba Service Providers refers to Alibaba Holding, persons controlled by it and persons under the common control of Alibaba Holding, and any other persons designated by Alibaba Holding.

(v) On February 7, 2020, Alibaba Holding and the Company renewed the 2020 Advertising Services Framework Agreement by entering into the 2021 Advertising Services Framework Agreement for a term of one year from April 1, 2020 to March 31, 2021, pursuant to which Alibaba Group provided to the Group certain advertising services, and the Group paid Alibaba Group the advertising fees. 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 February 5, 2021, the same parties entered into the 2022 Advertising Services Framework Agreement for a term of one year from April 1, 2021 to March 31, 2022. Further details of the transaction were set out in the announcement of the Company dated February 5, 2021. The transaction was approved by the Company's independent shareholders at a special general meeting.

(vi) On February 7, 2020, Hangzhou Cainiao Supply Chain Management Co., Ltd.^ (杭州菜鳥供應鏈管理有限公司) ("Hangzhou Cainiao"), an indirect-non-wholly-owned subsidiary of Alibaba Holding, and Alibaba Health (Hong Kong) Technology Company Limited ("Alibaba Health (HK)"), an indirect-wholly-owned subsidiary of the Company, renewed the 2020 Logistics Services Framework Agreement by entering into the 2021 Logistics Services Framework Agreement for a term of one year, from April 1, 2020 to March 31, 2021, pursuant to which Cainiao Group# provided various logistics services and other related services to the Group. 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 February 5, 2021, Hangzhou Cainiao and the Company entered into the 2022 Logistics Services Framework Agreement for a term of one year from April 1, 2021 to March 31, 2022, pursuant to which Cainiao Group# shall provide various logistics services and other related services to the Group. Further details of the transaction were set out in the announcement of the Company dated February 5, 2021. The transaction was approved by the Company's independent shareholders at a special general meeting.

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

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March 31, 2021

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(vii) On March 27, 2020, the Company and Alipay.com Co., Ltd.^ (支付寶(中國)網絡技術有限公司) ("Alipay"), a wholly-owned subsidiary of Ant Small and Micro Financial Services Group Co., Ltd.^ (浙江螞蟻小微金融服務集團股份有限公司) ("Ant Financial") renewed the 2020 Payment Services Framework Agreement by entering into the 2021 Payment Services Framework Agreement for a term of one year from April 1, 2020 to March 31, 2021, pursuant to which Alipay provided the Group payment, settlement and other related services on the Alibaba Group Platforms, and the Group paid Alipay the relevant service fees. Further details of the transaction were set out in the announcement of the Company dated March 27, 2020.

On March 30, 2021, the same parties entered into the 2022 Payment Services Framework Agreement for a term of one year from April 1, 2021 to March 31, 2022. Further details of the transaction were set out in the announcement of the Company dated March 30, 2021.

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

(ix) On May 28, 2018, Hangzhou Lukang Health Technology Co., Ltd.^ (杭州鹿康健康科技有限公司) (formerly known as Hangzhou Hengping Health Technology Co., Ltd.^ (杭州衡憑健康科技有限公司)), an indirect-wholly-owned subsidiary of the Company, entered into a second Framework Technical Services Agreement with the Tmall Entities, pursuant to which the Tmall Entities continued to provide software technical services, internet information services and secondary domain names and other services for the operation on Tmall.com in relation to certain categories of products and services ("Target Business II"). The Tmall Entities charged service fees of total software service fees received by the Target Business II from the relevant merchants on Tmall.com. The term of this Framework Technical Services Agreement commenced on the day following the completion of the Target Business II acquisition under common control as described in note 34 of the Company's financial statements for the year ended March 31, 2020 and ended on March 31, 2021. Further details of the transaction were set out in the announcement of the Company dated May 29, 2018. The transaction was approved by the Company's independent shareholders at a special general meeting.

On February 5, 2021, Alibaba Health (Hangzhou) and Alibaba Health Technology (Hainan) Co., Ltd.^ (阿里健康科技(海南)有限公司) ("Alibaba Health (Hainan)") entered into the 2022 Framework Technical Services Agreement with the Tmall Entities for a term of one year from April 1, 2021 to March 31, 2022, pursuant to which Tmall Entities shall continue to provide software technical services, internet information services and secondary domain names and other services for the operation on Tmall.com in relation to Target Business II. Further details of the transaction were set out in the announcement of the Company dated February 5, 2021. The transaction was approved by the Company's independent shareholders at a special general meeting.

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(x) On February 6, 2020, the Company entered into a third Framework Technical Services Agreement with Taobao Holding Limited ("Taobao Holding"), a wholly-owned subsidiary of Alibaba Holding, pursuant to which Taobao Holding and its subsidiaries, including the Tmall Entities and Taobao China, shall continue to provide infrastructure technical support for the operation of Tmall.com and Tmall Global (the "Tmall Platforms") including software technical support, internet information services and secondary domain names and other services in respect of certain categories of products and services sold on the Tmall Platforms ("Target Business III"). Taobao Holding and its subsidiaries shall charge service fees of 40% of software service fees received by the Company from the target merchants for transactions of pharmaceutical products sales and 50% of the software service fees received by the Company from the target merchants for transactions selling the target products and services other than pharmaceutical products. The term of this Framework Technical Services Agreement commenced on the day following the completion of the Target Business III acquisition under common control as described in note 31 of the Company's financial statements and ended on March 31, 2023. Further details of the transaction were set out in the announcement of the Company dated February 6, 2020. The transaction was approved by the Company's independent shareholders at a special general meeting.

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

(xii) On January 3, 2020, Alibaba Health (China) and Koubei (Shanghai) Information Technology Co., Ltd.^ (口碑 (上海) 信息技術有限公司) ("Koubei"), a consolidated entity of Alibaba Holding entered into the Koubei Services Framework Agreement for a term commencing from January 3, 2020 to March 31, 2021, pursuant to which Koubei Shanghai, via the Group, provided business sourcing and promotion services (including system software services and other payable services) to merchants under certain product categories referred by the Group, and in return the Group paid the relevant service fees to Koubei. Further details of the transaction were set out in the announcement of the Company dated January 3, 2020.

On March 30, 2021, the same parties entered into the 2022 Koubei Services Framework Agreement for a term of one year from April 1, 2021 to March 31, 2022, pursuant to which each party shall refer merchants providing certain categories of products and services to the other party for registering with platforms operated by such other party. Further details of the transaction were set out in the announcement of the Company dated March 30, 2021.

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

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

(xiv) On March 27, 2020, Hangzhou Alimama Software Services Co., Ltd.^ (杭州阿里媽媽軟件服務有限公司) ("Alimama"), an indirect-wholly-owned subsidiary of Alibaba Holding, Shanghai Quan Tudou Cultural Communications Company Limited^ (上海全土豆文化傳播有限公司) ("Youku"), a subsidiary of Alibaba Holding, and Alibaba Health (HK), renewed the 2020 Agency Agreement by entering into the 2021 Agency Agreement for a term of one year from April 1, 2020 to March 31, 2021, pursuant to which Alibaba Health (HK) referred Alibaba Health Group#'s contracted clients to purchase marketing and advertising services from Alimama and/or its affiliates. As the marketing agent, the Group shall be entitled to receive certain incentive fees. Further details of the transaction were set out in the announcement of the Company dated March 27, 2020.

On March 30, 2021, the same parties entered into the 2022 Agency Agreement for a term of one year from April 1, 2021 to March 31, 2022. Further details of the transaction were set out in the announcement of the Company dated March 30, 2021.

Alibaba Health Group refers to Alibaba Health (HK) and its subsidiaries.

(xv) On March 27, 2020, Taobao Holding and Alibaba Health Information Technology (Beijing) Co., Ltd.^ (阿里健康信息技術(北京)有限公司), an indirect-wholly-owned subsidiary of the Company, renewed the 2020 Outsourced Services Agreement by entering into the 2021 Outsourced Services Framework Agreement for a term of one year, from April 1, 2020 to March 31, 2021, pursuant to which the Group provided certain outsourced and value-added services in accordance with the terms and conditions of the services agreement to Taobao Group#. Further details of the transaction were set out in the announcement of the Company dated March 27, 2020.

On March 30, 2021, Taobao Holding and Alibaba Health (Hainan) entered into the 2022 Outsourced Services Framework Agreement for a term of one year from April 1, 2021 to March 31, 2022, pursuant to which Alibaba Health (Hainan) agreed to provide certain outsourced and value-added services in accordance with the terms and conditions of the services agreement to Taobao Group. Further details of the transaction were set out in the announcement of the Company dated March 30, 2021.

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

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(xvi) On March 27, 2020, Alibaba Health (HK) and Taobao China, an indirect-wholly-owned subsidiary of Alibaba Holding renewed the 2020 Tracking Services Agreement by entering into the 2021 Tracking Services Framework Agreement for a term of one year from April 1, 2020 to March 31, 2021, pursuant to which the Group provided services to Taobao China and its subsidiaries which included but were not limited to the development, maintenance and operation of a tracking system with product tracking, identification and certification functions. Further details of the transaction were set out in the announcement of the Company dated March 27, 2020.

On March 30, 2021, the same parties entered into the 2022 Tracking Services Framework Agreement for a term of one year from April 1, 2021 to March 31, 2022. Further details of the transaction were set out in the announcement of the Company dated March 30, 2021.

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

(xviii) On May 5, 2020, the Company and Taobao Holding entered into the 2021 Software Services Framework Agreement for a term commencing from May 5, 2020 to March 31, 2021, pursuant to which the Group, via Taobao Group, provided the merchants under certain categories of products and services with software services on the Tmall Platforms. Taobao Group in return paid the relevant service fees to the Group. Further details of the transaction were set out in the announcement of the Company dated May 5, 2020.

On March 30, 2021, the same parties entered into the 2022 Software Services Framework Agreement for a term of one year from April 1, 2021 to March 31, 2022. Further details of the transaction were set out in the announcement of the Company dated March 30, 2021.

(xix) During the year ended March 31, 2021, the Group, through two of its wholly-owned subsidiaries, entered into a capital increase agreement and an equity transfer agreement with Laiweilai and acquired 30% equity interests of Laiweilai, with consideration of RMB216,000,000 in cash and 80% equity interest in Seenew Medical.

As two of the existing shareholders of Laiweilai, namely, Hangzhou Vision Plus Chuangheng Equity Investment Fund Partnership Enterprise (Limited Partnership) (杭州圓璟創恒股權投資基金合夥企業(有限合夥)), Suzhou Vision Plus Equity Investment Partnership Enterprise (Limited Partnership) (蘇州圓璟股權投資合夥企業(有限合夥)) are associates of Mr. Wu Yongming, a non-executive Director, and are in turn the substantial shareholders of Laiweilai, the transactions contemplated under the capital increase agreement and the equity transfer agreement thus constitute connected transactions of the Company in accordance with the Listing Rules.

Except for item (xiii), the related party transactions in respect of the items above for the current year also constitute continuing connected transactions or connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

35. 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, 2021 and March 31, 2020 are listed below:

	March 31, 2021 ***RMB'000***	March 31, 2020 *RMB'000*
(1) Amounts due from related parties:		
Subsidiaries of Alibaba Holding	**70,046**	132,215
Joint venture	**2,500**	—
	72,546	132,215
(2) Amounts due to related parties:		
Subsidiaries of Alibaba Holding	**44,829**	2,462
Associates	**—**	61,004
	44,829	63,466

(III) Compensation of key management personnel of the Group

	2021 ***RMB'000***	2020 *RMB'000*
Short-term employee benefits	**12,504**	9,012
Performance related bonuses	**5,023**	3,662
Share-based compensation expenses	**54,036**	17,776
Pension scheme contributions	**395**	373
Total compensation paid to key management personnel	**71,958**	30,823

Further details of directors' and chief executive's emoluments are included in note 7 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

36. 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:

2021

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	–	–	–	163,212	–	163,212
Trade receivables	–	–	–	–	300,178	300,178
Bills receivable	–	–	13,437	–	–	13,437
Financial assets included in other receivables and other assets	–	–	–	–	459,293	459,293
Financial investments at FVPL	977,883	6,573	–	–	–	984,456
Cash and cash equivalents	–	–	–	–	11,636,769	11,636,769
Other receivables and other assets	–	–	–	–	9,524	9,524
	977,883	6,573	13,437	163,212	12,405,764	13,566,869

Financial liabilities at amortised cost

	RMB'000
Trade and bills payables	2,551,550
Financial liabilities included in other payables and accruals	482,439
	3,033,989

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

36. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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
Other receivables and other assets	–	–	–	–	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
Financial liabilities included in other payables and accruals	453,605
	2,319,131

37. 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**	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Financial asset at FVPL	**984,456**	865,263	**984,456**	865,263
Equity investment designated at FVOCI	**163,212**	173,456	**163,212**	173,456
Other receivables and other assets	**9,524**	21,732	**9,127**	20,826
Bills receivable	**13,437**	32,171	**13,437**	32,171
	1,170,629	1,092,622	**1,170,232**	1,091,716

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 trade and bills payables, 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 other receivables and other assets 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 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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

37. 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, 2021:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments – ShuYu Civilian	Valuation multiples	Average P/E multiple of peers	12.93 to 66.90	1% increase/decrease in multiple would result in increase/decrease in fair value by RMB4,920,000/RMB4,920,000
		DLOM	9.0%	1% increase/decrease in discount would result in decrease/increase in fair value by RMB487,000/RMB487,000
Unlisted investments – LinkDoc	Valuation multiples	Average P/S multiple of peers	1.70 to 15.70	1% increase/decrease in multiple would result in increase/decrease in fair value by RMB4,845,000/RMB4,845,000
		DLOM	17.1%	1% increase/decrease in discount would result in decrease/increase in fair value by RMB998,000/RMB998,000

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

37. 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, 2021

	2021 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	**—**	**—**	**163,212**	**163,212**
Financial assets at FVPL	**—**	**—**	**984,456**	**984,456**
Bills receivable	**—**	**13,437**	**—**	**13,437**
	—	**13,437**	**1,147,668**	**1,161,105**

As at March 31, 2020

	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

The Group did not have any financial liabilities measured at fair value as at March 31, 2021 and 2020.

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 (2020: Nil).

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

37. 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, 2021

	2021 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*
Other receivables and other assets	–	–	9,127	9,127

As at March 31, 2020

	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*
Other receivables and other assets	–	–	20,826	20,826

38. 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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 summarized below.

Credit risk

The Group trades only with recognized 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 19 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.

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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging (continued)

As at March 31, 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	300,178	300,178
Financial assets included in prepayments, other receivables and other assets					
— Normal**	459,293	–	–	–	459,293
Cash and cash equivalents					
— Not yet past due	11,636,769	–	–	–	11,636,769
	12,096,062	–	–	300,178	12,396,240

As at March 31, 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	292,370	292,370
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
	2,859,606	–	–	292,370	3,151,976

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

** 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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging (continued)

Since the Group trades only with recognized 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.

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 profit before tax (due to changes in the fair value of cash and bank balances).

	Increase/ (decrease) in RMB rate	**Increase/ (decrease) in profit before tax**
	%	*RMB'000*
2021		
If the Hong Kong dollar weakens against RMB	**1**	**74**
If the Hong Kong dollar strengthens against RMB	**(1)**	**(74)**
2020		
If the Hong Kong dollar weakens against RMB	1	176
If the Hong Kong dollar strengthens against RMB	(1)	(176)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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.

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, 2021

	Less than 1 year or on demand *RMB'000*	Over 1 year *RMB'000*	Total *RMB'000*
Trade payables	2,551,550	–	2,551,550
Financial liabilities included in other payables and accruals	482,439	–	482,439
Lease liability	26,662	18,130	44,792
	3,060,651	18,130	3,078,781

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

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	33,362	39,294	72,656
	2,352,493	39,294	2,391,787

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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

39. 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, 2021 *RMB'000*	March 31, 2020 *RMB'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**33,846,096**	21,713,718
Due from subsidiaries	**8,623,399**	4,969
Total non-current assets	**42,469,495**	21,718,687
CURRENT ASSETS		
Prepayments and other receivables	**36,769**	2,210
Other intangible assets	**176**	191
Cash and cash equivalents	**2,886**	198,763
Total current assets	**39,831**	201,164
CURRENT LIABILITIES		
Other payables and accruals	**27,399**	28,141
Due to subsidiaries	**7,556**	215
Total current liabilities	**34,955**	28,356
NET CURRENT ASSETS	**4,876**	172,808
TOTAL ASSETS LESS CURRENT LIABILITIES	**42,474,371**	21,891,495
Net assets	**42,474,371**	21,891,495
EQUITY		
Share capital	**118,859**	106,108
Treasury shares	**(22,265)**	(13,039)
Reserves	**42,377,777**	21,798,426
Total equity	**42,474,371**	21,891,495

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

A summary of the Company's reserves is as follows:

	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, 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	29	–	–	–	–	277,139	–	277,139
Vested awarded shares transferred to employees	28	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
Profit for the year		**–**	**–**	**–**	**–**	**–**	**(13,015)**	**(13,015)**
Translation from functional currency to presentation currency		**–**	**–**	**–**	**(522,728)**	**–**	**–**	**(522,728)**
Total comprehensive income for the year		**–**	**–**	**–**	**(522,728)**	**–**	**(13,015)**	**(535,743)**
Issue of new shares		**20,698,113**	**–**	**–**	**–**	**–**	**–**	**20,698,113**
Exercise of share options		**114,809**	**–**	**–**	**–**	**(38,414)**	**–**	**76,395**
Share-based compensation expenses		**–**	**–**	**–**	**–**	**341,467**	**–**	**341,467**
Vested awarded shares transferred to employees	28	**123,627**	**25,326**	**–**	**–**	**(149,834)**	**–**	**(881)**
At March 31, 2021		**43,281,281**	**36,078**	**57,741**	**(311,809)**	**363,949**	**(1,049,463)**	**42,377,777**

The exchange fluctuation reserve represents the difference arising from translating the financial statements from HK$ into RMB, the Company's presentation currency.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on May 25, 2021.

FINANCIAL SUMMARY

	Year ended March 31,				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Revenue	**15,518,468**	9,596,476	5,095,867	2,442,618	475,078
Profit/(Loss) before tax	**401,219**	9,094	(60,830)	(95,145)	(207,099)
Income tax expense	**(58,539)**	(24,790)	(30,934)	(13,889)	(1,554)
Profit/(Loss) for the year	**342,680**	(15,696)	(91,764)	(109,034)	(208,653)
Attributable to:					
Owners of the parent	**348,588**	(6,586)	(81,949)	(106,974)	(207,626)
Non-controlling interests	**(5,908)**	(9,110)	(9,815)	(2,060)	(1,027)
	342,680	(15,696)	(91,764)	(109,034)	(208,653)

	As at March 31,				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Total assets	**17,739,204**	7,869,972	5,981,885	3,110,977	1,679,700
Total liabilities	**(3,457,600)**	(2,667,457)	(3,245,059)	(587,920)	(560,038)
	14,281,604	5,202,515	2,736,826	2,523,057	1,119,662
Equity attributable to owners of the parent	**14,301,950**	5,269,145	2,794,519	2,580,248	1,177,836
Non-controlling interests	**(20,346)**	(66,630)	(57,693)	(57,191)	(58,174)
	14,281,604	5,202,515	2,736,826	2,523,057	1,119,662