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ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED

阿里健康信息技術有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00241)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED MARCH 31, 2021

The board (the "**Board**") of directors (the "**Directors**") of Alibaba Health Information Technology Limited (the "**Company**" or "**Alibaba Health**") is pleased to announce the audited annual results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended March 31, 2021 (the "**Reporting Period**") together with comparative figures for the preceding financial year. The annual consolidated financial statements have been reviewed by the audit committee of the Company (the "**Audit Committee**").

HIGHLIGHTS

- In the Reporting Period, the Group reported revenue and gross profit of RMB15,518.5 million and RMB3,617.2 million, representing a year-on-year growth of 61.7% and 62.1%, respectively. The rapid growth in revenue and gross profit reflects the strong performance of the pharmaceutical e-commerce platform business and the pharmaceutical direct sales business during the Reporting Period. Driven by our strategy which focuses on drug sales and services through pharmaceutical direct sales business and the enrichment of supply of non-drug healthcare products by introducing merchants to our e-commerce platforms, "Tmall Medicine"^ (天貓好藥) is currently the largest pharmaceutical e-commerce platform in China, while Alibaba Health is the largest online medicine retailer in terms of drug sales amount. The GMV from our e-commerce platform business recorded an accelerated year-on-year growth of 47.5%. 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.

- The table below sets out the composition of the Group's revenue for the periods indicated:

	For the year ended March 31,		
	2021	2020	Change
	RMB'000	*RMB'000*	*%*
Revenue	**15,518,468**	9,596,476	61.7
— Pharmaceutical direct sales business	**13,216,284**	8,133,945	62.5
— Pharmaceutical e-commerce platform business	**1,965,169**	1,170,333	67.9
— Medical and healthcare services business[1]	**284,085**	252,707	12.4
— Digital infrastructure business[2]	**52,930**	39,491	34.0

Notes:

1 *Consumer healthcare business, Internet healthcare business and other businesses (other than 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 our 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 platform business, and the platform commission income was recognized on a net basis.*

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

- During the Reporting Period, the Group's profit amounted to approximately RMB342.7 million, representing an increase in profit of RMB358.4 million as compared with the loss of RMB15.7 million for the corresponding period last year. The Group's adjusted net profit[(Note)] reached RMB630.7 million, representing a year-on-year increase of 198.5%. The turnaround was mainly attributable to: (i) the rapid growth in the number of users and transaction volume in various businesses of the Group due to the combined positive effect from the support of the Internet medical and health policies and enhanced user awareness of "Internet + Health", (ii) the benefit of the Group's acquisition of the e-commerce platform business in pharmaceutical category from Ali JK Nutritional Products Holding Limited completed in April 2020, as well as the persistent rapid growth of the business of Tmall's Pharmaceutical Platform, and (iii) the rapid growth in revenue from the pharmaceutical direct sales business and the increased efficiency and cost optimization driven by economies of scale. During the Reporting Period, net cash flows generated from operating activities also continued to grow, amounting to RMB1,009.4 million. 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, digital infrastructure and other long-term business opportunities.

- Alibaba Health's secure and reliable pharmaceutical and healthcare products service platform is now the most comprehensive (based on number of stock keeping units ("**SKUs**") of pharmaceutical and healthcare products) as well as the largest (based on gross merchandize value ("**GMV**")) in China. During the Reporting Period, Tmall's Pharmaceutical Platform operated by the Group 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.

- During the Reporting Period, several platforms operated by Alibaba Health recorded rapid growth in the number of users, in which 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.

- 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%. 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, our direct online stores accumulated more than 81 million annual active users (those who made one or more actual purchase(s) on our direct online stores in the past 12 months).

- 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 and unlock new opportunities and directions for brand growth and bring new development opportunities to these companies through professional digital marketing. 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.

- 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. 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 the 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.

- Since its inception, the standalone "Dr. Deer" APP for medical and healthcare services has been positioned as the first stop for all customers' healthcare needs. Further investments have been made to constantly upgrade "Dr. Deer" APP. 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.

Note: *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, gain or loss on deemed partial disposal of associates, and gain or loss on disposal of associates. By excluding the impact of such items which are not indicative of our key operational performance, investors can better compare our operational performance across various periods.*

KEY FINANCIAL FIGURES

	For the year ended March 31,		
	2021	2020	Change
	RMB'000	*RMB'000*	*%*
Revenue	**15,518,468**	9,596,476	61.7
— Pharmaceutical direct sales business	**13,216,284**	8,133,945	62.5
— Pharmaceutical e-commerce platform business	**1,965,169**	1,170,333	67.9
— Medical and healthcare services business[1]	**284,085**	252,707	12.4
— Digital infrastructure business[2]	**52,930**	39,491	34.0
Gross profit	**3,617,249**	2,231,380	62.1
Gross profit margin	**23.3%**	23.3%	N/A
Profit/(Loss) for the year	**342,680**	(15,696)	N/A
Excluding			
— Share-based compensation expenses	**396,959**	277,139	43.2
— Fair value gains on financial assets at fair value through profit or loss ("**FVPL**"), net of tax	**(46,704)**	—	N/A
— Gain on disposal of a subsidiary, net of tax	**(52,956)**	—	N/A
— Gain on deemed partial disposal of associates, net of tax	**(9,316)**	(33,795)	(72.4)
— Gain on disposal of an associate, net of tax	**—**	(16,344)	(100.0)
Adjusted net profit[3]	**630,663**	211,304	198.5

Notes:

1 *Consumer healthcare business, Internet healthcare business and other businesses (other than 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 our 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 platform business, and the platform commission income was recognized on a net basis.*

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

3 *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, gain or loss on deemed partial disposal of associates, and gain or loss on disposal of associates. By excluding the impact of such items which are not indicative of our key operational performance, investors can better compare our operational performance across various periods.*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended March 31, 2021

	Notes	**2021**	2020
		RMB'000	*RMB'000*
REVENUE	4	**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	4	**405,828**	161,269
Operating expenses			
Fulfillment	5	**(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 cost		**(2,449)**	(21,965)
Share of losses of:			
Joint ventures		**(11,556)**	(12,737)
Associates		**(26,857)**	(21,295)
PROFIT BEFORE TAX	6	**401,219**	9,094
Income tax expense	7	**(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	8		
Basic		**RMB2.63 cents**	RMB(0.06) cent
Diluted		**RMB2.62 cents**	RMB(0.06) cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended March 31, 2021

	2021	2020
	RMB'000	*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 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	**(269)**	(4,616)
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		**13,428**	12,999
Investment property		**—**	10,599
Right-of-use assets		**38,861**	59,333
Other intangible assets		**2,935**	4,467
Goodwill		**54,576**	54,576
Investments in joint ventures		**98,548**	111,247
Investments in associates		**2,173,938**	1,945,789
Other receivables and other assets		**9,524**	21,732
Equity investment designated at FVOCI		**163,212**	173,456
Financial assets at FVPL		**984,456**	462,778
Total non-current assets		**3,539,478**	2,856,976
CURRENT ASSETS			
Inventories		**1,468,609**	1,217,258
Trade and bills receivables	10	**313,615**	324,541
Prepayments, other receivables and other assets		**769,716**	413,492
Financial assets at FVPL		**—**	402,485
Restricted cash		**11,017**	60,239
Cash and cash equivalents		**11,636,769**	2,594,981
Total current assets		**14,199,726**	5,012,996
CURRENT LIABILITIES			
Lease liabilities		**20,334**	32,030
Trade and bills payables	11	**2,551,550**	1,865,526
Other payables and accruals		**588,169**	513,250
Contract liabilities		**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 (CONTINUED)
March 31, 2021

	March 31, 2021 *RMB'000*	March 31, 2020 *RMB'000*
NON-CURRENT LIABILITIES		
Lease liabilities	**17,406**	37,725
Deferred tax liabilities	**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	**118,859**	106,108
Treasury shares	**(22,265)**	(13,039)
Reserves	**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

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

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.

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

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.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(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.

(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 derecognizing part of the lease liabilities and crediting to profit or loss for the year ended March 31, 2021.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(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.

3. 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.

Geographical information

(a) Revenue from external customers

	For the year ended March 31,	
	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 were provided, or the locations of the warehouses from which inventories were shipped.

(b) Non-current assets

	For the year ended March 31,	
	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.

4. REVENUE, OTHER INCOME AND GAINS

The Group is primarily engaged in the pharmaceutical direct sales business, pharmaceutical e-commerce platform businesses, medical and healthcare services platform and digital infrastructure business in the People's Republic of China ("**PRC**").

An analysis of revenue is as follows:

	For the year ended March 31,	
	2021	2020
	RMB'000	*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

Notes

* Consumer healthcare business, Internet healthcare business and other businesses (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 business switched from direct sales to 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.

Revenue from contracts with customers

(i) Disaggregated revenue information

	For the year ended March 31,	
	2021	2020
	RMB'000	*RMB'000*
Type of goods or services:		
Sales 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

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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

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

	For the year ended March 31,	
	2021	2020
	RMB'000	*RMB'000*
Sale of products	**4,400**	1,708
Provision of services	**140,055**	123,458
	144,455	125,166

(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 business-to-consumer ("**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 business-to-business ("**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:

	As at March 31,	
	2021	2020
	RMB'000	*RMB'000*
Within one year	**366,996**	261,376
More than one year	**—**	26,825
	366,996	288,201

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	For the year ended March 31,	
	2021	2020
	RMB'000	*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	**711**	1,307
Others	**515**	3,243
	235,924	97,685
Gains		
Gain on disposal of a subsidiary	**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

Note:

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

5. 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.

6. PROFIT BEFORE TAX

	For the year ended March 31,	
	2021	2020
	RMB'000	*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	**6,102**	5,830
Depreciation of right-of-use assets	**24,960**	27,295
Depreciation of investment property	**6,551**	7,087
Amortization of intangible assets	**2,013**	1,477
Lease payments not included in the measurement of lease liabilities	**317**	636
Reversal of impairment of trade receivables***	**(320)**	(888)
Impairment of other receivables	**4,904**	—
Provision of inventories*	**18,080**	13,282
Write-off of inventories***	**14,395**	5,301
Impairment of a joint venture	**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	**396,959**	277,139
	934,671	685,671
Foreign exchange differences, net***	**(32,418)**	6,752

Notes:

* 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 (As at March 31, 2020: Nil).

7. INCOME TAX

	For the year ended March 31,	
	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	**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 RMB80,000 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.

8. 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.

8. 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:

	For the year ended March 31,	
	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**	—
Restricted share units ("**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.)

9. 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).

10. TRADE AND BILLS RECEIVABLES

	As at March 31, 2021 RMB'000	2020 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

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:

	As at March 31, 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

11. 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:

	As at March 31,	
	2021	2020
	RMB'000	*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.

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.

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 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 (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 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 over 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.

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 have 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 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 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 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.

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 be the most dependable partner looking after everyone's lifelong healthcare needs.

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 business to form the medical and healthcare services business, and continued to provide 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' need 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 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 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 some associates were still in the transformation or growing stage.

— **Non-HKFRS 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 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 deducting 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.

— **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 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 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 (牆輝) 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.

DIVIDEND

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).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

In the opinion of the Board, throughout the year ended March 31, 2021, the Company has complied with the code provisions ("**Code Provisions**") set out in the Corporate Governance 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 ("**Mr. Zhu**") 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 an 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules (the "**Model Code**") to regulate the dealings of the Directors 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities, except that a trustee of the Share Award Scheme purchased a total of 2,000,000 shares of the Company on market to satisfy the Share Awards granted to connected employees of the Company upon vesting.

AUDIT COMMITTEE REVIEW

The Group's annual results for the year ended March 31, 2021 have been reviewed by the Audit Committee. The Audit Committee has also discussed auditing, internal control and financial reporting matters including the review of accounting practices and principles adopted by the Group.

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

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended March 31, 2021 as set out in the preliminary results announcement have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary results announcement.

PUBLICATION OF PRELIMINARY RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

By Order of the Board
ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED
ZHU Shunyan
Chairman and Chief Executive Officer

Hong Kong, May 25, 2021

As at the date of this announcement, the Board comprises seven Directors, of whom (i) two are executive Directors, namely Mr. ZHU Shunyan and Mr. TU Yanwu; (ii) two are non-executive Directors, namely Mr. WU Yongming and Mr. XU Hong; and (iii) three are independent non-executive Directors, namely Mr. LUO Tong, Mr. WONG King On, Samuel and Ms. HUANG Yi Fei (Vanessa).

^ *For identification purpose only*