AliHealth 阿里健康

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

(Incorporated in Bermuda with limited liability)
Stock code: 00241

ANNUAL REPORT
2016

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. CHEN Xiao Ying *(Executive Vice Chairman)*
Mr. WANG Lei *(Chief Executive Officer)*

Non-Executive Directors

Mr. WU Yongming *(Chairman)*
Mr. TSAI Chung, Joseph
Ms. HUANG Aizhu
Mr. KANG Kai

Independent Non-Executive Directors

Mr. YAN Xuan
Mr. LUO Tong
Mr. WONG King On, Samuel

Audit Committee

Mr. WONG King On, Samuel *(Chairman)*
Mr. YAN Xuan
Mr. LUO Tong

Remuneration Committee

Mr. YAN Xuan *(Chairman)*
Mr. WU Yongming
Mr. WONG King On, Samuel

Nomination Committee

Mr. WU Yongming *(Chairman)*
Mr. LUO Tong
Mr. WONG King On, Samuel

AUTHORIZED REPRESENTATIVES

Mr. WANG Lei
Ms. LEW Aishan, Nicole

COMPANY SECRETARY

Ms. LEW Aishan, Nicole

LEGAL ADVISORS

Freshfields Bruckhaus Deringer
H. M. Chan & Co

AUDITORS

Ernst & Young
Certified Public Accountants

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR (IN BERMUDA)

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

BRANCH SHARE REGISTRAR (IN HONG KONG)

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

China CITIC Bank International Limited
The Hongkong and Shanghai Banking Corporation Limited

COMPANY WEBSITE

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

During the financial year ended March 31, 2016, Alibaba Health Information Technology Limited (the "Company") and its subsidiaries (the "Group") actively responded to various challenges while continuing to expand its business model to consolidate its role as the healthcare flagship of Alibaba Group Holding Limited ("Alibaba Group"). The efforts made by the Group to build its team and corporate culture during the year also importantly laid the foundation for further development of the Group.

In respect of pharmaceutical e-commerce business, the Group has continued to optimize its Alibaba Health mobile application to connect consumers with offline retail pharmacies, and is cooperating with offline pharmacies in locations including Beijing, Hangzhou, and Linyi to provide local drug delivery services to community residents. The Group will further capitalize on its strengths in Internet and data technology to help offline pharmacies introduce network hospital telemedicine services to provide an enhanced pharmacy service experience. These measures are aimed at helping pharmacies transform into healthcare centers for community residents, and may even enable pharmacies to serve as a new entry point for tiered medical services.

Using Internet, cloud computing and other technologies to help medical institutions build up integrated regional medical service networks has been a beneficial business model initiative of the Group. The Group and the Central Hospital of Wuhan's cooperated network hospital pioneered the provision of a comprehensive medical services experience to villagers at Rural Taobao points in Hubei Province. Remote registration, video conference consultation, electronic prescription issuance and local delivery of drugs have been well received by local villagers. This model helps alleviate the problem of uneven distribution of medical resources between urban and rural areas, and fulfil the growing pharmaceutical and healthcare needs of the rural populace.

Alibaba Health strives to become a medical big data platform company through in-depth cooperation with regional medical service networks. Capitalizing on the revolutionary trend of using Internet and intellectual technologies, we are looking to optimize the allocation of medical services resources across different levels and areas in China's medical industry while enhancing the service efficiency of medical institutions at the same time. We believe that these trends and changes will create huge social and commercial value.

In respect of our work on drug tracking systems, on one hand, the Group continues to operate the Drug PIATS under the policies and guidance of the China Food and Drug Administration, and on the other hand, the Group has already started to develop a new market-oriented tracking solution to assist enterprises. The "碼上放心" *(Ma Shang Fang Xin)* tracking platform being built by the Group will offer tracking services to enterprises for the full life cycle of their products.

Investments, mergers and acquisitions have been important to the Group's business expansion. In March 2016, the Group announced it would invest RMB225 million for a 25% interest in Wanliyun Medical Information Technology (Beijing) Co., Ltd. (萬里雲醫療信息科技（北京）有限公司) ("Wanliyun"). The Group believes that, through its investment in Wanliyun, it will be able to participate in the business of providing cloud computing-enabled remote healthcare imaging services, which will assist it to further connect participants in China's healthcare market.

With the further implementation of China's pharmaceutical and healthcare reforms, market opportunities in the sector will continue to grow. The increase in resident income and the aging population will continue to drive increasing demand for pharmaceutical and healthcare services and products. The Internet, application of big data and new technologies will provide more solutions to satisfy the demands of the pharmaceutical and healthcare industry. Despite the fact that the policy environment of the pharmaceutical and healthcare industry is relatively complicated, and though we face many challenges in the development of our business models, we are confident that, with our experience and resources, we can unite healthcare industry participants to improve resource management, to increase efficiencies in the diagnosis and treatment of diseases and pharmaceutical distribution, and to create greater value for our society, the public and our shareholders.

Our entire staff will strive to generate sustainable returns for our shareholders through our long-term vision, advanced technologies, innovative concepts, and efficient business operation systems. Finally, I would like to take this opportunity to express my sincere gratitude to our shareholders, business partners, product users, and all of our staff for their long and unwavering support.

WU Yongming
Chairman

June 22, 2016

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The key financial figures of the Group for the year ended March 31, 2016 and the restated comparative figures for the year ended March 31, 2015 are summarized as follows:

	2016 **RMB'000**	2015 RMB'000 (Restated)	Change %
Revenue	**56,595**	29,744	90.3
Gross profit	**37,993**	15,964	138.0
Gross profit percentage	**67.1%**	53.7%	N/A
Other income	**14,702**	87,238	(83.1)
Sales and marketing expenses	**80,787**	54,014	49.6
Administrative expenses	**91,797**	58,951	55.7
Product development expenses	**76,153**	34,130	123.1
Other expenses	**26,143**	54,241	(51.8)
Share of profits of a joint venture	**11,892**	5,688	109.1
Share of profits of an associate	**13,176**	9,268	42.2
Net loss attributable to owners of the parent	**191,608**	81,221	135.9
Loss per share			
Basic and diluted	**RMB2.34 cents**	RMB1.04 cents	125.0

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

Results

– **Revenue**

Revenue of the Group for the year ended March 31, 2016 increased by 90.3% to RMB56,595,000 from the restated revenue of RMB29,744,000 for the year ended March 31, 2015, mainly due to an increase in PIATS business revenue.

中信二十一世紀（中國）科技有限公司 (CITIC 21CN (China) Technology Company Limited* ("CITIC 21CN Technology")) (a wholly-owned subsidiary of the Group) and 中信國檢信息技術有限公司 (China Credit Information Technology Company Limited ("CCIT")) (a 50%-owned subsidiary of the Group) are engaged in the operation of product identification, authentication and tracking systems ("PIATS"). The PIATS business revenue for the year ended March 31, 2016 increased by RMB26,851,000 or 90.3% to RMB56,595,000 from RMB29,744,000 for the year ended March 31, 2015, due to an increase in PIATS service fee income received from medical institutions and pharmaceutical stores in China.

– **Gross profit percentage**

The Group recorded an increased gross profit percentage of 67.1% for the year ended March 31, 2016 as compared with that of 53.7% for the preceding year. The improvement in profitability was mainly attributable to the economies of scale achieved in the operation of the Drug PIATS as more medical institutions and retail pharmacies used the Drug PIATS while most of the costs of revenue of the Drug PIATS remained relatively stable.

– **Other income**

Other income for the year ended March 31, 2016 was RMB14,702,000, representing a decrease of RMB72,536,000 or 83.1% as compared with RMB87,238,000 for the preceding year. The decrease was mainly due to the fact that there was a one-off gain of RMB70,434,000 in the year ended March 31, 2015 resulting from the settlement of litigation with Oracle (China) Software Systems Co., Ltd. and Oracle Systems Hong Kong Limited (as disclosed in the Company's announcement dated January 12, 2015) and the fact that interest income from time deposits decreased from RMB16,058,000 for the preceding year to RMB14,518,000 for the current year.

– **Sales and marketing expenses**

Sales and marketing expenses for the year ended March 31, 2016 was RMB80,787,000, representing an increase of RMB26,773,000 or 49.6% as compared with RMB54,014,000 for the preceding year, which was mainly due to an increase in labor cost, and travelling and rental expenses incurred in respect of the Group's sales and marketing function to develop the new business.

– **Administrative expenses**

Administrative expenses for the year ended March 31, 2016 was RMB91,797,000, representing an increase of RMB32,846,000 or 55.7% from RMB58,951,000 for the preceding year. The increase was mainly attributable to the professional fees incurred in respect of the Proposed Acquisition (as defined in the Company's announcement dated April 15, 2015) of RMB31,779,000.

– **Product development expenses**

Product development expenses for the year ended March 31, 2016 was RMB76,153,000, representing an increase of RMB42,023,000 or 123.1% as compared with RMB34,130,000 for the preceding year. The increase was mainly due to the increase in headcount in respect of the Company's research and development related functions. During the year, the Group recruited more IT engineers to develop the Company's medical service network, the Alibaba Health mobile application and the Drug PIATS.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

Results (continued)

- **Other expenses**

  Other expenses for the year ended March 31, 2016 was RMB26,143,000, representing a decrease of RMB28,098,000 or 51.8% as compared with RMB54,241,000 for the preceding year. The decrease was mainly due to two reasons: (1) the Group had recorded a loss of RMB26,892,000 in the preceding year relating to the write off of Oracle licenses, while no such loss had been incurred during the year ended March 31, 2016; and (2) a smaller allowance for bad debts of RMB4,705,000 was provided for trade and other receivable balances as at March 31, 2016, representing a decrease of RMB14,683,000 as compared with RMB19,388,000 provided as at March 31, 2015. However, foreign exchange loss for the year ended March 31, 2016 was RMB17,832,000, representing an increase of RMB11,618,000 as compared with RMB6,214,000 for the preceding year.

- **Share of profits of a joint venture**

  Share of profits of a joint venture represented the share of net operating results of the Group's 49%-owned joint venture, 北京鴻聯九五信息產業有限公司 (Beijing Honglian 95 Information Industries Company Limited ("HL95")), which is engaged in telecommunications and information value-added services. The share of profits of HL95 for the year ended March 31, 2016 was RMB11,892,000, representing an increase of RMB6,204,000 or 109.1% as compared with that of RMB5,688,000 for the preceding year. The improvement in share of profit was mainly due to the continued increase in revenue generated from several large newly built-up call centers.

- **Share of profits of an associate**

  Share of profits of an associate represented the share of net operating results of the Group's 30%-owned associate, 東方口岸科技有限公司 (Dongfang Customs Technology Company Limited ("Dongfang Customs")), which is engaged in electronic customs processing and other electronic government services. The share of profits of Dongfang Customs for the year ended March 31, 2016 was RMB13,176,000, representing an increase of RMB3,908,000 or 42.2% as compared with that of RMB9,268,000 for the preceding year. The increase was mainly due to the increased investment income from Dongfang Customs' associates.

- **Net loss attributable to owners of the parent**

  Net loss attributable to owners of the parent for the year ended March 31, 2016 was RMB191,608,000, representing an increase of RMB110,387,000 or 135.9% as compared with that of RMB81,221,000 for the preceding year.

- **Loss per share**

  Basic and diluted loss per share was RMB2.34 cents for the year ended March 31, 2016, increased from RMB1.04 cents for the preceding year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

The financial positions of the Group as at March 31, 2016 and the corresponding restated comparative figures as at March 31, 2015 are summarized as follows:

	March 31, 2016 RMB'000	March 31, 2015 RMB'000 (Restated)
Current assets	**1,035,488**	1,233,743
Including		
– bank balances and cash (including fixed deposits and mainly denominated in Hong Kong dollar, United States dollar and Renminbi)	**1,020,558**	1,217,679
– debtors	**11,328**	12,644
Current liabilities	**185,860**	122,124
Current ratio (current asset/current liabilities)	**5.57**	10.10
Quick ratio (bank balances and cash & debtors/ current liabilities)	**5.55**	10.07
Shareholders' equity	**1,221,360**	1,325,620
Gearing ratio (bank loans/shareholders' equity)	**N/A**	N/A

Bank balances and cash including fixed deposits held at banks with maturity over three months and within twelve months when acquired decreased by RMB197,121,000 or 16.2% from RMB1,217,679,000 as at March 31, 2015 to RMB1,020,558,000 as at March 31, 2016. The decrease was due to RMB110,250,000 having been placed as long-term deposits and RMB86,871,000 having been used to finance the operating cash outflow of the Group during the year.

Debtors decreased by RMB1,316,000 or 10.4% from RMB12,644,000 as at March 31, 2015 to RMB11,328,000 as at March 31, 2016. The decrease was due to less account receivables from medical institutions during the year.

As at March 31, 2016, the decrease in current and quick ratios was mainly attributable to a decrease in bank balances and cash as mentioned above. The current ratio was 5.57 (March 31, 2015: 10.10) and the quick ratio was 5.55 (March 31, 2015: 10.07).

Shareholders' equity decreased by RMB104,260,000 or 7.9% from RMB1,325,620,000 as at March 31, 2015 to RMB1,221,360,000 as at March 31, 2016, which was mainly due to the net loss attributable to owners of the parent for the year.

The Group did not have any bank loans and hence no gearing ratio was shown as at March 31, 2015 and as at March 31, 2016.

The Group's operations and transactions are principally located in the PRC. 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 and United States dollars, while other assets and liabilities are mainly denominated in Renminbi. The Group has 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 reports reviewed by the directors of the Company (the "Directors" and individually, a "Director"). The Group does not have a foreign exchange hedging policy but management will continue to closely monitor exchange rate fluctuations and will take appropriate measures to keep foreign exchange risk exposure to a minimum.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an integrated healthcare information and content service provider which focuses on innovation. It seeks to utilize the latest advances in information technology to offer internet-based solutions for the healthcare industry.

- ### Drug PIATS

  The Company's subsidiary, CITIC 21CN Technology, is the technical operator of the Drug PIATS in the PRC. Through the operation of the Drug PIATS, CITIC 21CN Technology provides drug tracking, recall and enforcement information services to relevant PRC authorities; product tracking and logistics information services to the pharmaceutical industry; and product information and authentication services to consumers.

  As disclosed in the Company's announcement dated February 21, 2016, on February 20, 2016, the China Food and Drug Administration (the "CFDA") published Announcement No. 40 of 2016. As the operator of the Drug PIATS, the Company has been working closely with the CFDA to continue the Drug PIATS operations under the CFDA's direction.

  Future prospects

  Following the Company's announcement dated February 21, 2016, the Company continues to provide technical support and maintenance services in respect of the Drug PIATS while the CFDA has not promulgated any new regulations relating to the Drug PIATS since the Announcement No. 40 of 2016.

  The use of electronic tracking systems has been an important means for the PRC government to strengthen drug and food administration and the PRC government still requires enterprises to be responsible for adopting tracking systems for their products. The Company will continue to work closely with CFDA in relation to the Drug PIATS but at the same time has begun to develop new market-based tracking solutions to assist enterprises to fulfil their regulatory compliance needs.

- ### Pharmaceutical e-commerce

  The Group aims to use Internet-based solutions to increase the transparency of the pharmaceutical and healthcare product supply chain, reduce information asymmetry and increase supply chain efficiencies, so as to benefit market participants and consumers. During the year, the Group updated its Alibaba Health mobile application and continued to explore ways to integrate online and offline distribution channels, so as to provide consumers with an improved and more convenient experience in purchasing pharmaceutical and healthcare products.

  Future prospects

  China's healthcare market is characterized by the highly fragmented and long supply chain of healthcare products. There is still much room for improving efficiencies in the pharmaceutical products supply chain. The Group will continue to work to create a more efficient drug distribution network, to enhance the user's experience through technology and model innovation, and to promote the transformation and upgrading of the industry. In pursuit of these goals, among other things, on July 6, 2016, Alibaba Health Technology (Beijing) Company Limited * (阿里健康科技(北京)有限公司) entered into an acquisition agreement with independent third party sellers to acquire 100% equity interest in Guangzhou Wu Qian Nian Pharmaceutical Chain Co., Ltd.* (廣州五千年醫藥連鎖有限公司) for a consideration of RMB16,800,000, to enable it to engage in the online pharmaceutical business to provide more products and services to end consumers. For details, please refer to the Company's announcement dated July 6, 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

- **Medical services network**

  During the year, the Group continued to develop its network hospital business model, actively explored the facilitation of telemedicine services and worked to integrate medical services resources to offer personalized medical services to users. The Group will continue to build an Internet-based tiered medical services network supported by telemedicine services, with the aim of providing users with comprehensive member services.

  Future prospects

  The PRC government has implemented various healthcare reform initiatives to encourage a tiered medical service network and doctors to practise at multiple locations. At the same time, Internet, big data and various innovative technologies have provided new opportunities to address healthcare sector issues. The Group will continue actively utilize Internet technologies and big data analytical capabilities to construct a medical service network to connect medical service providers, medical service payers, pharmaceutical manufacturers and patients, so as to provide a better medical experience for the public.

Expiry of the Long Stop Date for the Proposed Acquisition

As disclosed in the Company's announcement dated April 1, 2016, the Proposed Acquisition lapsed following the expiration of the long stop date of the share purchase agreement relating to the Proposed Acquisition on March 31, 2016.

Service Agreement with Alibaba Group

On April 1, 2016, Alibaba Health Technology (Beijing) Company Limited* (阿里健康科技(北京)有限公司) ("Alibaba Health Technology Beijing"), an indirect wholly owned subsidiary of the Company, and Zhejiang Tmall Technology Co., Ltd* (浙江天貓技術有限公司) and Zhejiang Tmall Network Co., Ltd* (浙江天貓網絡有限公司) (together, the "Tmall Entities"), members of Alibaba Group, entered into a services agreement pursuant to which the Group shall provide certain outsourced and value-added services to the Tmall Entities (the "Service Agreement"). The Company is currently still finalizing the circular in relation to the transactions contemplated under the Service Agreement.

* For identification purpose only

EMPLOYEES AND REMUNERATION POLICIES

The number of full-time employees of the Group as at March 31, 2016 was 263 (285 as at March 31, 2015). Total staff costs of the Group for the year ended March 31, 2016 was RMB152 million (RMB75.6 million for the year ended March 31, 2015). All the Group's staff employed in Hong Kong participated in the Mandatory Provident Fund Scheme.

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

The Group has also adopted a share award scheme as approved by the shareholders of the Company on November 24, 2014 (the "Share Award Scheme"), pursuant to which the Board may grant awards ("Awards") in the form of restricted share units ("RSUs") or share options to eligible participants, including the Directors, the directors of the Company's subsidiaries, the employees of the Group or any other persons as determined by the Board who the Board considers, in its absolute discretion, have contributed or will contribute to the success of the Group's operations. The movements in the options and RSUs granted, forfeited and outstanding under the Share Award Scheme during the year are set out in note 23 to the consolidated financial statements.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended March 31, 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is a technology-enabled solution provider. The principal activities of the subsidiaries comprise the operation of product identification, authentication and tracking systems ("PIATS") principally for the drug industry in the PRC, the construction of a medical services network, pharmaceutical e-commerce and the provision of other internet solutions for the healthcare sector.

BUSINESS REVIEW

Review of Business

A review of the Group's business, including the principal risks and uncertainties faced by such business and its possible future development are described under the paragraphs headed "Business Review" in the section headed "Management Discussion and Analysis" of this report on pages 8 to 9.

Analysis of Performance and Financial Position

The key financial figures and financial position of the Group for the year ended March 31, 2016 and relevant analysis are set out under the paragraphs headed "Financial Review" and "Financial Resources, Liquidity and Foreign Exchange Exposures" respectively in the section headed "Management Discussion and Analysis" of this report on pages 4 to 7.

Environmental Policies and Performance

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

Compliance with Laws and Regulations

For the year ended March 31, 2016 and up to the date of this report, to the best knowledge of the directors of the Company, the Group complied with applicable laws, rules and regulations in all material respects.

Relationships with Key Stakeholders

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

Employees

Employees are regarded as the most important and valuable assets of the Group. The Group's policy is to maintain a competitive pay structure and employees are rewarded based on their performance and with appropriate incentives including cash bonuses and through the use of the Share Award Scheme (as defined below), which details are set out under the paragraphs headed "Share Award Scheme" in this section.

Customers

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

Suppliers

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

DIRECTORS' REPORT

RESULTS AND DIVIDENDS

The Group's financial performance for the year ended March 31, 2016 and the financial position of the Group as at that date are set out in the financial statements on pages 36 to 41.

The Board of Directors (the "Board") of the Company does not recommend the payment of any dividend (2015: Nil) for the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate, is set out on page 96. This summary does not form part of the audited financial statements.

SHARE CAPITAL, SHARE OPTIONS AND RSUs

Details of movements in the Company's share capital, share options and RSUs during the year are set out in notes 22 and 23 to the consolidated financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities during the year.

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

The Company did not have any reserves available for distribution at the end of the reporting period. However, the Company's share premium account, in the amount of approximately RMB1,863,621,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 91% of the total purchases for the year and purchases from the largest supplier amounted to 43% of the total purchases for the year.

Details of the Directors' and the Company's controlling shareholder's beneficial interest in the Group's largest supplier, Alibaba Cloud Computing Ltd* (阿里雲計算有限公司) ("Alibaba Cloud"), a subsidiary of Alibaba Group, are further explained in the section titled "Connected Transactions" below.

* for identification purpose only

DIRECTORS' REPORT

DIRECTORS

The Directors during the year were:

Executive Directors:

Dr. Wang Jian (Chairman and Chief Executive Officer)	(resigned on April 17, 2015)
Ms. Chen Xiao Ying (Executive Vice Chairman)	
Mr. Wang Lei (Chief Executive Officer)	(appointed on April 17, 2015)

Non-executive Directors:

Mr. Wu Yongming (Chairman)	(appointed on April 17, 2015)
Mr. Chia Pun Kok	(resigned on April 17, 2015)
Mr. Zhang Yong	(resigned on September 7, 2015)
Mr. Chen Jun	(resigned on September 7, 2015)
Mr. Yu Feng	(resigned on September 7, 2015)
Mr. Tsai Chung, Joseph	(appointed on September 8, 2015)
Ms. Huang Aizhu	(appointed on September 8, 2015)
Mr. Kang Kai	(appointed on September 8, 2015)

Independent Non-executive Directors:

Mr. Yan Xuan
Mr. Luo Tong
Mr. Wong King On, Samuel

Since the date of the interim report of the Company for the six months ended September 30, 2015, there were no changes to the information which is required to be disclosed and had been disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In accordance with Clause 99 of the bye-laws of the Company, Ms. Chen Xiao Ying, Mr. Luo Tong and Mr. Wong King On, Samuel will retire by rotation at the forthcoming annual general meeting of the Company to be held on August 18, 2016 (the "AGM"). Except for Ms. Chen Xiao Ying who has informed the Company that she will not offer herself for re-election due to her personal commitments, Mr. Luo Tong and Mr. Wong King On, Samuel, being eligible, will offer themselves for re-election at the AGM.

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

The Company has complied with the requirements of the Listing Rules to have three independent non-executive directors representing at least one-third of the Board during the year and up to the date of this report. The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 23 to 24 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The emoluments of the Directors are determined having regard to the Company's operating results, individual performance and comparable market statistics.

DIRECTORS' REPORT

DIRECTORS' REMUNERATION (continued)

Directors are also eligible to be granted awards under the Company's Share Award Scheme. The details of the scheme are set out in note 23 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the section titled "Connected Transactions" below, no Director or connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

SHARE AWARD SCHEME

At the special general meeting of the Company held on November 24, 2014 (the "Adoption Date"), the shareholders of the Company (the "Shareholders") approved the adoption of a new share award scheme (the "Share Award Scheme"). Unless terminated earlier by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date. The validity period of the options granted under the Share Award Scheme shall be ten years from the date of grant and the options shall lapse at the expiry of the validity period.

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

The specific mandate granted to the Board at the Adoption Date to exercise all the powers of the Company to grant Share Awards lapsed at the conclusion of the annual general meeting held on September 30, 2015 ("2015 Annual General Meeting"), but the specific mandate was then renewed by approval of the Shareholders at the 2015 Annual General Meeting. During the year, the total number of shares underlying the Share Awards granted and which remained outstanding as at March 31, 2016 amounted to 51,529,000, 46,563,000 of which were granted pursuant to the Original Scheme Mandate Limit, and 4,966,000 of which were granted pursuant to the Renewed Scheme Mandate Limit. As at March 31, 2016, Share Awards in respect of a total of 240,213,339 underlying Shares, which represent 2.9% of the total issued shares as at March 31, 2016, remain available to be granted under the Share Award Scheme under the Renewed Scheme Mandate Limit.

Details of the options and restricted share units ("RSUs") granted and outstanding under the Share Award Scheme are as below:

Name of option holders/ grantees of RSU	Current positions held with the Group	Nature	Number of shares represented by options or RSUs at April 1, 2015	Date of grant/ conditional grant	Granted during the year	Exercise price (HK$)	Exercised during the year	Lapsed during the year	Number of shares represented by options or RSUs outstanding at March 31, 2016
Director of the Company									
Mr. Wang Lei[1]	The chief executive officer and an executive Director of the Company, and a director of Alibaba Health Technology (Beijing) Company Limited* (阿里健康科技(北京)有限公司), CITIC 21CN (China) Technology Company Limited* (中信二十一世紀(中國)科技有限公司), Joy Heaven Incorporated and Alibaba Health (Hong Kong) Technology Company Limited.	Options	–	September 7, 2015	7,491,000	5.184	–	–	7,491,000
		RSUs	–	September 7, 2015	1,284,000	–	–	–	1,284,000

DIRECTORS' REPORT

SHARE AWARD SCHEME (continued)

Name of option holders/ grantees of RSU	Positions held with the Group	Nature	Number of shares represented by options or RSUs at April 1, 2015	Date of grant/ conditional grant	Granted during the year	Exercise price (HK$)	Exercised during the year	Lapsed during the year	Number of shares represented by options or RSUs outstanding at March 31, 2016
Other connected persons of our Group									
Ms. Ma Li[1]	A director of Alibaba Health Technology (Beijing) Company Limited* (阿里健康科技(北京)有限公司)	Options	–	September 7, 2015	2,131,000	5.184	–	–	2,131,000
		RSUs	–	September 7, 2015	852,000	–	–	–	852,000
Mr. Meng Changan[1]	A director of Alibaba Health Technology (Beijing) Company Limited* (阿里健康科技(北京)有限公司), CITIC 21CN (China) Technology Company Limited* (中信二十一世紀(中國)科技有限公司), Joy Heaven Incorporated and Alibaba Health (Hong Kong) Technology Company Limited	Options	–	September 7, 2015	1,894,000	5.184	–	–	1,894,000
		RSUs	–	September 7, 2015	758,000	–	–	–	758,000
Mr. Wang Peiyu[1]	A director of CITIC 21CN (China) Technology Company Limited* (中信二十一世紀(中國)科技有限公司)	Options	–	September 7, 2015	1,420,000	5.184	–	–	1,420,000
		RSUs	–	September 7, 2015	568,000	–	–	–	568,000
Other non-connected persons									
104 employees and previous employees of the Group[2]	–	Options	–	September 7, 2015	20,907,000	5.184	–	(3,681,000)	17,226,000
		Options	–	October 20, 2015	2,023,000	5.55	–	–	2,023,000
		RSUs	–	September 7, 2015	16,541,000	–	–	(3,602,000)	12,939,000
		RSUs	–	October 20, 2015	2,943,000	–	–	–	2,943,000

* For identification purpose only

DIRECTORS' REPORT

SHARE AWARD SCHEME (continued)

Notes:

(1) The options and RSUs granted to each of Mr. WANG Lei, Ms. MA Li, Mr. MENG Changan and Mr. WANG Peiyu shall vest in accordance with vesting schedule as follows:

The options and RSUs granted to him/her shall vest over a four-year period commencing from the quarterly reference date (i.e. January 31, April 30, July 31, October 10 of every calendar year, "Quarterly Reference Date") closest to such grantee's grant entitlement date, being the date on which the grantee's employment commenced with the Group or on which the grantee became eligible as a participant of the Share Award Scheme ("Grant Entitlement Date"), whichever is later, of which:

(i) as to 50% of the options and RSUs granted shall vest on the 2nd anniversary of the Quarterly Reference Date closest to such grantee's Grant Entitlement Date;

(ii) as to 25% of the options and RSUs granted shall vest on the 3rd anniversary of the Quarterly Reference Date closest to such grantee's Grant Entitlement Date; and

(iii) as to 25% of the options and RSUs granted shall vest on the 4th anniversary of the Quarterly Reference Date closest to such grantee's Grant Entitlement Date.

As Mr. WANG Lei is the chief executive officer of the Company and an executive Director, and each of Ms. MA Li, Mr. MENG Changan and Mr. WANG Peiyu is a director of a subsidiary or certain subsidiaries of the Company, and therefore each is a connected person of the Company, the conditional grant of RSUs to each of them and the related transactions constitute of non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules and were subject to reporting, announcement and independent Shareholders' approval requirements. The aforesaid conditional grant of RSUs was subsequently approved by the independent Shareholders of the Company at the special general meeting convened on November 6, 2015.

(2) The options and RSUs granted on September 7, 2015 to 96 employees (other than the connected persons of the Group) shall vest in accordance with the vesting schedule shown in note (1) above. For details of the vesting schedules of the options and RSUs granted on October 20, 2015 to 8 employees, please refer to the Company's Announcement dated October 20, 2015. 20 out of the 104 employees resigned from the Group during the year and the options and RSUs granted to them lapsed.

On April 6, 2015, the Board resolved to conditionally grant 3,300,000 RSUs to Mr. Wang Yaqing who was a director of a subsidiary of the Company, and on April 21, 2015, the Company granted 8,700,000 options to Mr. Wang Yaqing.

The options granted and RSUs which were to be granted to Mr. Wang Yaqing were to vest in accordance with the vesting schedule as follows:

(i) 50% of the aggregate number of shares underlying the options and RSUs would have vested on April 30, 2016;

(ii) as to 25% of the aggregate number of shares underlying the options and RSUs would have vested on April 30, 2017;

(iii) as to 25% of the aggregate number of shares underlying the options and RSUs would have vested on April 30, 2018.

However, Mr. Wang Yaqing resigned from the Group during the year before the above mentioned RSUs were granted and the above mentioned options were also forfeited as a result.

The Board considers that it is not appropriate or helpful to the Shareholders to state the value of all Share Awards granted under the Share Award Scheme during the year. The Board believes that any statement regarding the value of all Share Awards during the year will not be meaningful to the Shareholders, since the Share Awards granted shall not be assignable, and no holder of the Share Awards shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any Share Award. In addition, the calculation of the value of the Share Awards is based on a number of variables such as exercise price, exercise period, interest rate, expected volatility and other relevant variables. The Board believes that any calculation of the value of the Share Awards during the year based on a great number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

For the accounting policy adopted for the Share Awards, please refer to note 2.5 to the Group's consolidated financial statements for the year ended March 31, 2016.

DIRECTORS' REPORT

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

As at March 31, 2016, the interests and short positions of the Directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in shares and underlying shares of the Company

	Number of ordinary shares and underlying shares held, capacity and nature of interest		
Name of director	**Nature of Interest**	**Total interest in Shares**	**Percentage of the Company's share capital**
Ms. Chen Xiao Ying	Interest in controlled corporation *(Note a)*	777,484,030	9.51%
Mr. Wang Lei	Equity derivative interests *(Note b)*	8,775,000	0.11%

Notes:

(a) Pollon Internet Corporation, a company wholly-owned by Ms. Chen Xiao Ying, owns 100% interest in 21CN Corporation. Uni-Tech International Group Limited, a wholly-owned subsidiary of 21CN Corporation, holds 777,484,030 shares in the Company. Accordingly, Ms. Chen is interested in the shares held by Uni-Tech International Group Limited.

(b) Subject to vesting, Mr. Wang Lei is interested in a total of 8,775,000 shares underlying the 7,491,000 options granted to him (as resolved by the Board on September 7, 2015) and 1,284,000 RSUs granted to him (as was approved by the independent Shareholders of the Company at the special general meeting held on November 6, 2015) in accordance with the Share Award Scheme.

DIRECTORS' REPORT

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

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

Name of Director	Nature of interest	Number of shares/ underlying shares held	Percentage of issued shares of Alibaba Group
Mr. Wang Lei	Beneficial and equity derivative interests[1]	136,751	0.01%
Mr. Tsai Chung, Joseph	Beneficial, equity derivative interests and interests of spouse[2]	1,772,964	0.07%
	Interests in controlled corporation and other interests[3]	63,515,572	2.56%
	Founder of a discretionary trust[4]	15,000,000	0.61%
Ms. Huang Aizhu	Beneficial and equity derivative interests[5]	150,832	0.01%
Mr. Kang Kai	Equity derivative interests	16,000	0.00%
Mr. Wu Yongming	Beneficial, equity derivative Interests and interests of spouse[6]	285,000	0.01%
	Interests in controlled corporation[7]	200,000	0.01%
	Founder of a discretionary trust[8]	7,692,185	0.31%
Mr. Yan Xuan	Beneficial	3,000	0.00%

Notes:

1. It represents 63,001 ordinary shares or underlying ordinary shares and 73,750 restricted share units beneficially held by Mr. Wang Lei.

2. It represents 1,437,964 ordinary shares and 175,000 restricted share units beneficially held by Mr. Tsai Chung, Joseph and 160,000 ordinary shares held by his spouse.

3. It represents the sum of 2,868,198 shares held by or deemed to be held by MFG Limited (of which Mr. Tsai Chung, Joseph is the sole director), 23,105,952 ordinary shares or underlying ordinary shares directly or indirectly held by Parufam Limited (of which Mr. Tsai Chung, Joseph is a director and has been delegated sole voting and disposition power), 21,000,000 ordinary shares held by PMH Holding Limited (of which Mr. Tsai Chung, Joseph is the sole director), 15,000,000 ordinary shares held by APN Ltd. (in which Mr. Tsai Chung, Joseph holds 30% equity interest and has been granted a revocable proxy to vote 15,000,000 ordinary shares owned by APN Ltd.), 1,541,422 underlying ordinary shares held by MFG II Ltd. (which is wholly owned by Mr. Tsai Chung, Joseph).

4. It represents the 5,000,000 options held by Joe and Clara Tsai Foundation Limited (whereby Mr. Tsai Chung, Joseph is the "founder" of the trust within the meaning of the SFO) and 10,000,000 options held by SymAsia Foundation Limited, the transfer of which options Mr. Tsai Chung, Joseph is entitled to direct to a charitable trust he has established.

5. It represents 100,707 ordinary shares or underlying ordinary shares and 50,125 restricted share units beneficially held by Ms. Huang Aizhu.

6. It represents 75,000 ordinary shares, 10,000 restricted share units beneficially held by Mr. Wu Yongming and 200,000 ordinary shares held by his spouse.

7. It represents 200,000 ordinary shares or underlying ordinary shares held by Plus Force Enterprise Ltd. which is wholly-owned by Mr. Wu Yongming.

8. It represents 7,692,185 ordinary shares or underlying ordinary shares held by Mr. Wu Yongming through two private trusts whereby he is the founder of the discretionary trusts.

Save as disclosed above, as at March 31, 2016, none of the Directors and chief executive had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' REPORT

CONTRACTS OF SIGNIFICANCE

The Company has a contract with Alibaba Cloud, a subsidiary of Alibaba Group, for the provision of cloud computing services to the Group. Further details of the transactions undertaken in connection with this contract during the year are included in note 27 to the consolidated financial statements.

A share purchase agreement was entered into among the Company, Ali JK Investment and Mr. Chen (as defined below in this section) on April 8, 2015. The agreement contains a long stop date for the fulfilment of certain conditions precedent, which was previously extended from December 31, 2015 to March 31, 2016. In view of the ongoing regulatory uncertainties relating to both the completion of the Proposed Acquisition (as defined below in this section) as well as the PRC medical and healthcare industry, the Board resolved not to further extend the Long Stop Date (as defined below in this section) after its expiration on March 31, 2016 and the Proposed Acquisition lapsed. For details, please refer to the announcements of the Company dated April 15, 2015, January 4, 2016 and April 1, 2016.

The terms of the contracts described above had been reviewed by the independent non-executive Directors who confirmed that the transactions were entered into: (i) in the ordinary course of business of the Group; (ii) on normal commercial terms; and (iii) according to the relevant agreement governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole. Details are included under below section titled "Connected Transactions".

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed under the section titled "Share Award Scheme", at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors or chief executive of the Company nor their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

As at March 31, 2016, the following interests and short positions of 5% or more of the share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions:

Name	*Notes*	Capacity and nature of interest	Total interest in shares/ underlying shares	Percentage of the issued share capital of the Company
Perfect Advance Holding Limited	*(a)*	Beneficial owner	5,198,112,038	63.60%
Alibaba Group Holding Limited	*(a)(c)*	Interest of controlled corporation	8,915,884,103	109.09%
Alibaba Investment Limited	*(a)*	Interest of controlled corporation	5,198,112,038	63.60%
Innovare Tech Limited	*(a)*	Persons acting in concert	5,198,112,038	63.60%
Yunfeng Fund II, L.P.	*(a)*	Persons acting in concert	5,198,112,038	63.60%
Yunfeng Investment GP II, Ltd.	*(a)*	Interest of controlled corporation	5,198,112,038	63.60%
Yunfeng Investment II, L.P.	*(a)*	Interest of controlled corporation	5,198,112,038	63.60%
Uni-Tech International Group Limited	*(b)*	Beneficial owner	777,484,030	9.51%
21CN Corporation	*(b)*	Interest of controlled corporation	777,484,030	9.51%
Pollon Internet Corporation	*(b)*	Interest of controlled corporation	777,484,030	9.51%
Ali JK Investment Holdings Limited	*(c)*	Beneficial Owner	3,717,772,065	45.49%
Mr. Chen Wen Xin	*(c)*	Beneficial Owner	3,717,772,065	45.49%

DIRECTORS' REPORT

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

Long positions: (continued)

Notes:

(a) Perfect Advance Holding Limited ("Perfect Advance") holds 4,420,628,008 shares (representing 54.09% of the issued share capital of the Company). In addition, as a security for her obligations under the subscription agreement entered into by the Company with Perfect Advance dated January 23, 2014 in relation to the share subscription by Perfect Advance, Ms. Chen Xiao Ying provided to Perfect Advance a share charge over 777,484,030 shares (representing 9.51% of the issued share capital of the Company) indirectly held by her for a period of 18 months from April 30, 2014. Perfect Advance is therefore deemed to have an interest in an aggregate of 5,198,112,038 shares (representing 63.60% of the issued share capital of the Company), and each of Perfect Advance and Innovare is also deemed to have an interest in an aggregate of 5,198,112,038 shares (representing 63.60% of the issued share capital of the Company).

Perfect Advance is owned by Alibaba Investment Limited ("AIL") as to 70.21% and Innovare Tech Limited ("Innovare") as to 29.79%. Perfect Advance is a party to the shareholders agreement dated April 30, 2014 entered into with AIL and Innovare which constitutes a concert party agreement for the purpose of section 317(1)(a) of the SFO. (Please refer to the circular of the Company dated March 21, 2014 for the details of the said shareholders agreement.)

AIL is wholly owned by Alibaba Group Holding Limited. Innovare is wholly controlled by Yunfeng Fund II, L.P., which is a direct wholly – owned subsidiary of Yunfeng Investment II, L.P. and an indirect wholly-owned subsidiary of Yunfeng Investment GP II, Ltd.. Yunfeng Investment GP II, Ltd. is owned by Mr. Ma Yun as to 40% and Mr. Yu Feng as to 60%. Accordingly, each of Yunfeng Fund II, L.P., Yunfeng Investment II, L.P., Yunfeng Investment GP II, Ltd., Mr. Ma Yun and Mr. Yu Feng is also deemed to have an interest in an aggregate of 5,198,112,038 shares (representing 63.60% of the issued share capital of the Company) via Perfect Advance within the meaning of Part XV of the SFO.

(b) Uni-Tech International Group Limited holds 777,484,030 shares in the Company. Uni-Tech International Group Limited is wholly-owned by 21CN Corporation. 21CN Corporation is owned as to 100% by Pollon Internet Corporation, which is wholly-owned by Ms. Chen Xiao Ying, the executive Vice Chairman of the Company.

(c) Mr. Chen holds 34,352,000 shares (representing 0.42% of the issued share capital of the Company). Mr. Chen and Ali JK Investment Holdings Limited ("Ali JK Investment"), which is a wholly-owned subsidiary of Alibaba Group Holding Limited, have an interest in 3,683,420,065 shares pursuant to an agreement dated April 8, 2015 (the "Share Purchase Agreement") entered into between the Company (as purchaser) and Ali JK Investment and Mr. Chen (as sellers), under which the Company conditionally agreed to acquire, and Ali JK Investment and Mr. Chen have conditionally agreed to sell, the entire issued share capital of Beijing Chuanyan Logistics Investment Limited which is held as to approximately 90.44% by Ali JK Investment and as to approximately 9.56% by Mr. Chen (the "Proposed Acquisition"), in consideration for (i) the issue by the Company of (a) 2,961,291,148 shares and (b) redeemable convertible bonds that are convertible into 409,090,909 shares upon full conversion at a conversion price of HK$5.808 per conversion share, subject to anti-dilution adjustment, to Ali JK Investment; and (ii) the issue by the Company of 313,038,008 shares to Mr. Chen. Accordingly, Alibaba Group Holding Limited is therefore deemed to have an interest in the 5,198,112,038 shares (representing 63.60% of the issued share capital of the Company) beneficially owned by Perfect Advance and the 3,717,772,065 shares (representing 45.49% of the issued share capital of the Company) via Ali JK Investment, which together represent an interest in 8,915,884,103 shares (representing 109.09% of the issued share capital of the Company). Subsequent to the end of year under review, the Share Purchase Agreement terminated since the Long Stop Date (as defined in the announcement of the Company dated April 1, 2016) was not extended after its expiration on March 31, 2016.

Save as disclosed above, as at March 31, 2016, no person, other than the directors and chief executive of the Company, whose interests are set out in the section titled "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS

During the year ended March 31, 2016, the Group had the following connected and continuing connected transactions, details of which were disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

(a) Continuing Connected Transaction – Cloud Computing Services Agreement

On September 30, 2014, CITIC 21CN (China) Technology Company Limited* (中信二十一世紀(中國)科技有限公司) ("CITIC 21CN Technology"), an indirect wholly-owned subsidiary of the Company, entered into the Cloud Computing Services Agreement (the "Agreement") with Alibaba Cloud Computing Ltd* (阿里雲計算有限公司) ("Alibaba Cloud"). Pursuant to the Agreement, Alibaba Cloud agreed to provide certain cloud computing services to the Group for a term of six months from October 1, 2014 to March 31, 2015. Perfect Advance is the immediate holding company and a connected person of the Company. Alibaba Group Holding Limited is the ultimate majority shareholder of Perfect Advance and Alibaba Cloud is a member of the Alibaba Group. Accordingly, Alibaba Cloud is also a connected person of the Company and the transactions contemplated under the Agreement constituted continuing connected transactions of the Company in accordance with the Listing Rules.

On April 21, 2015, CITIC 21CN Technology and Alibaba Cloud renewed the Agreement (the "Renewed Agreement"), under which Alibaba Cloud will continue to provide certain cloud computing services to the Group for a term of another one year from April 1, 2015 to March 31, 2016. During the year ended March 31, 2016, the aggregate value of services fees charged by Alibaba Cloud under the Renewed Agreement was approximately of RMB7.7 million (2015: RMB2.2 million). On May 30, 2016, the second renewed agreement was entered into between CITIC 21CN Technology and Alibaba Cloud for a term of one year that runs retrospectively from April 1, 2016 to March 31, 2017 with expected total fees payable by CITIC 21CN Technology to Alibaba Cloud being not more than HK$9,200,000.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions under the-Cloud Computing Services Agreement and have confirmed that such continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

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

* For identification purpose only

DIRECTORS' REPORT

CONNECTED TRANSACTIONS (continued)

(b) Grant of Options and Conditional Grant of RSUs to Connected Persons

On April 6, 2015, the Company resolved to conditionally grant 3,300,000 RSUs to Mr. Wang Yaqing, a director of a subsidiary of the Company, which was subsequently approved by the shareholders' special general meeting on June 12, 2015, and on April 21, 2015, the Company granted 8,700,000 options to Mr. Wang Yaqing under the Share Award Scheme. Mr. Wang Yaqing resigned from the Group before he accepted the grant of such RSUs. Consequently, the options were forfeited.

On September 7, 2015, the Board resolved to grant 12,936,000 options and resolved to, subject to independent shareholders' approval, conditionally grant 3,462,000 RSUs to Mr. Wang Lei, Mr. Meng Changan, Ms. Ma Li and Mr. Wang Peiyu in accordance with the terms of the Share Award Scheme. Such aforesaid conditional grant of RSUs was approved by the independent Shareholders of the Company at the special general meeting convened on November 6, 2015.

As Mr. Wang Lei is the Chief Executive Officer and an executive Director of the Company, and each of Mr. Meng Changan, Ms. Ma Li and Mr. Wang Peiyu was a director of a subsidiary or certain subsidiaries of the Company at the above-mentioned grant dates, and therefore each of them was a connected person of the Company, the conditional grant of RSUs to each of them and the related transactions constitute non-exempt connected transactions for the Company in accordance with the Listing Rules. The Group recognized a share-based compensation expense of approximately RMB11,733,000 (2015: Nil) during the year ended March 31, 2016 for these connected transactions.

(c) Proposed Acquisition from Connected Persons

As disclosed under the section titled "Substantial Shareholders' and Other Persons' Interests or Short Positions in Shares and Underlying Shares", on April 8, 2015, the Company, Ali JK Investment and Mr. Chen entered into the Share Purchase Agreement.

On December 28, 2015, the Board resolved to extend the Long Stop Date to March 31, 2016 since additional time was required for the fulfilment of the conditions precedents, including the approval of the listing application.

On March 31, 2016, in view of the ongoing regulatory uncertainties relating to both completion of the Proposed Acquisition as well as the PRC medical and healthcare industry, the Board resolved not to further extend the Long Stop Date after its expiration on March 31, 2016 and the Proposed Acquisition lapsed.

As Ali JK Investment is a connected person of the Company by virtue of being an associate of Alibaba Group Holding Limited, the ultimate controlling shareholder of the Company and Mr. Chen is a connected person of the Company by virtue of being a brother, hence an associate, of Ms. Chen Xiao Ying, a director of the Company, the Proposed Acquisition constituted a connected transaction of the Company in accordance with the Listing Rules. For details, please refer to the announcements of the Company dated April 15, 2015, January 4, 2016 and April 1, 2016.

ARBITRATION AND LITIGATION

Details of arbitration and litigation are set out in note 28 to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the directors of the Company is currently in force and was in force throughout the year under review. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against the directors and officers of the Company.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 32 to the consolidated financial statements.

AUDITORS

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

ON BEHALF OF THE BOARD

Wang Lei
Chief Executive Officer and Executive Director

Hong Kong
June 22, 2016

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS AND CHIEF EXECUTIVE OFFICER

Ms. CHEN Xiao Ying, aged 53, was appointed as an executive Director of the Company on May 17, 2000 and is the executive vice-chairman of the Company. Ms. Chen has been chairman of the Pollon Group, a private investment group, which invests in power plants, telecommunications and property development in the PRC, since its inception in 1989 and was previously the chief executive officer of the Company till May 2014. Ms. Chen is a member of the Chinese National People's Political Consultative Committee and has been a Permanent Honorary President of Friends of Hong Kong Association Limited since 1989. Ms. Chen obtained a master's degree in business administration from Peking University in July 2010.

Mr. WANG Lei, aged 36, was appointed as an executive Director and a chief executive officer of the Company on April 17, 2015. Prior to his current position, Mr. Wang was the general manager of Alibaba Group's Taobao Diandian business from September 2013. Mr. Wang has held various positions within Alibaba Group since he joined in 2003, including customer relationship management product manager and Alibaba call center project manager from September 2003 to December 2005, P4P project manager of Yahoo China from January 2006 to May 2007, senior manager of Alimama product and operations department from June 2007 to December 2008, B2B advertising product and operations department director from January 2009 to May 2011, senior director of B2B advertising service department and commercial product department from June 2011 to July 2012 and O2O workshop senior director of Alibaba Group's mobile Internet business department from August 2012 to August 2013. Mr. Wang obtained a bachelor's degree in engineering from China Jiliang University, PRC in June 2001.

NON-EXECUTIVE DIRECTORS

Mr. WU Yongming, aged 41, was appointed as a non-executive Director and Chairman of the Company on April 17, 2015. Mr. Wu has been a senior vice president of the Alibaba Group since June 2010 and has been a special assistant to the chairman of the board of directors of Alibaba Group Holding Limited ("Alibaba Holding") since September 2014, the shares of which are listed on the New York Stock Exchange (stock code: BABA). Mr. Wu also served as technology director of Alibaba (China) Technology Co., Ltd. * (阿里巴巴（中國）網絡技術有限公司) from September 1999, technology director of Alipay (China) Information Technology Co., Ltd. * (支付寶（中國）網絡技術有限公司) from December 2004, P4P business director of Alibaba Group from November 2005, general manager of Hangzhou Alimama Technology Co., Ltd.* (杭州阿里媽媽網絡技術有限公司) from December 2007, chief technology officer of Taobao (China) Software Co., Ltd.* (淘寶（中國）軟件公司) from September 2008, and was responsible for Alibaba Group's search business, advertising business and mobile business from October 2011. Mr. Wu was previously a director of AutoNavi Holdings Limited, a then NASDAQ-listed company, from May 2013 to July 2014. Mr. Wu graduated from college of information engineering of Zhejiang University of Technology, PRC in June 1996.

Mr. TSAI Chung, Joseph, aged 52, joined Alibaba Group in 1999 as a member of the Alibaba founding team and has served as the executive vice chairman of Alibaba Holding since May 2013. Mr. Tsai previously served as Alibaba Holding's chief financial officer and has been a member of Alibaba Holding's board of directors since its formation. From 1995 to 1999, Mr. Tsai worked in Hong Kong with Investor AB, the main investment vehicle of Sweden's Wallenberg family, where he was responsible for Asian private equity investments. Prior to that, he was vice president and general counsel of Rosecliff, Inc., a management buyout firm based in New York. From 1990 to 1993, Mr. Tsai was an associate attorney in the tax group of Sullivan & Cromwell LLP, a New York-based international law firm. Mr. Tsai serves on the boards of directors of several of Alibaba Group's investee companies and is currently also a director of Momo, Inc., the shares of which are listed on NASDAQ (stock code: MOMO). Mr. Tsai is qualified to practice law in the State of New York. He received his bachelor's degree in Economics and East Asian Studies from Yale College and a juris doctor degree from Yale Law School.

Ms. HUANG Aizhu, aged 48, has been a senior director of Tmall since November 2011. Prior to joining Alibaba Group, Ms. Huang worked as a product vice-president for Shanghai Yishiduo e-Commerce Company Limited* (上海益實多電子商務有限公司) (more commonly known as Yihaodian) and was responsible for its pharmaceutical, food and beverage, beauty care, household cleaning, and mothercare and toys product lines. Ms. Huang previously also worked at Amazon China Information Service (Beijing) Company Limited* (亞馬遜中國資訊服務（北京）有限公司) as a chief editor. Ms. Huang obtained a bachelor's degree in mechanical engineering from Harbin University of Science and Technology, PRC in July 1992.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. KANG Kai, aged 39, has been a director of Tmall that is a third party online platform for brands and retailers operated by Alibaba Group (a group of companies comprising Alibaba Holding and its subsidiaries, the "Alibaba Group") under the domain name Tmall.com (the "Tmall") and head of Tmall's medical and healthcare business since he joined Alibaba Group in July 2014. Mr. Kang was previously the chief operating officer of Beijing Haoyaoshi Pharmacy Chain Co., Ltd.* (北京好藥師大藥房連鎖有限公司) and before that, he was a member of management of Leyou (China) Chain Supermarket Company Limited* (樂友（中國）超市連鎖有限公司) where he was responsible for formulating and implementing the goals and strategies for the company's e-commerce business. He was vice-president, health products business for Shanghai Yishiduo e-Commerce Company Limited* (上海益實多電子商務有限公司) (more commonly known as Yihaodian) from October 2009 to December 2010. Mr. Kang was also a deputy general manager of Jinxiang Internet Technology Co., Ltd* (北京金象在綫網絡科技有限公司), from April 2007 to September 2009. Mr. Kang obtained a bachelor's degree in computer science and engineering from the Beijing University of Technology, PRC in July 1999 and a master of science degree in multimedia and internet computing from the Loughborough University, United Kingdom in December 2003.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YAN Xuan, aged 54, was appointed as an independent non-executive Director of the Company on May 9, 2014. Appointed in June 2011, Mr. Yan is President, Greater China for Nielsen Holdings N.V. and leads Nielsen Holdings N.V.'s business initiatives in mainland China, Hong Kong, Taiwan and Macau. Before joining Nielsen Holdings N.V., Mr. Yan spent close to two decades in China in senior and executive positions with leading global companies, such as AT&T, Microsoft Corporation, Oracle Corporation and Qualcomm Incorporated. Mr. Yan was previously a vice chairman of the board of governors of American Chamber of Commerce in China from January to December 2008 as well as a member of the board of directors of the United States Information Technology Office. Mr. Yan also served as a director or vice-chairman on the boards of directors of several US-China telecom equipment and software joint ventures. Mr. Yan received his juris doctor from Duke University School of Law, U.S. as a Richard M. Nixon Scholar in 1987, and attended the Advanced Management Program at Harvard Business School, U.S. in 2000.

Mr. LUO Tong, aged 49, was appointed as an independent non-executive Director of the Company on May 9, 2014. Mr. Luo is currently the chief strategy officer of Yiguo Information Technology Co., Ltd. Mr. Luo has over 20 years of experience of retailing operation and management. More recently, he worked as the general manager of retail development of Guangzhou Pharmaceuticals Corporation till June 2015, the vice president of operations for Tesiro Jewellery Company from June 2012 to December 2013 and as the vice president of operations and development for China Nepstar Chain Drugstore Ltd. from June 2010 to April 2012. Prior to that, he worked at Walmart from September 2004 to April 2010, where his last position was regional general manager for Walmart's Zhejiang Province Operations. Mr. Luo obtained a diploma in business administration from Guangzhou Finance and Trade Management Institute in July 1989 and a diploma in English from Guangdong Social Science College in June 1991.

Mr. WONG King On, **Samuel**, aged 63, was appointed as an independent non-executive Director of the Company on May 9, 2014. Mr. Wong is currently a professor of practice (accounting) of the school of accounting and finance of the Hong Kong Polytechnic University and the honorary secretary of the Outstanding Polytechnic University Alumni Association. Mr. Wong was an independent non-executive director and chairman of the audit committee of Yashili International Holdings Limited (Stock Code: 1230), which was listed on the Hong Kong Stock Exchange from October 2010 to November 2013. Mr. Wong has over 30 years of experience in accounting and finance. Mr. Wong joined Ernst & Young in October 1979 and was elected to its partnership in January 1993. Mr. Wong was the managing partner, China Central of Ernst & Young and a member of the management committee of the China firm of Ernst & Young from 2005 until his retirement in 2010. Mr. Wong was also the adjunct professor of the school of accounting & finance of the Hong Kong Polytechnic University from 2002 to 2010. Mr. Wong was the president of Association of Chartered Certified Accountants (ACCA) Hong Kong for 1998–1999 and a member of the global council of ACCA from 1999 to 2005. Mr. Wong was also the first non-European global president of ACCA for 2003–2004. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants, a member of the ACCA and a Certified Practising Accountant Australia. Mr. Wong obtained a master of business administration degree from the University of Bradford, United Kingdom in December 1978. Mr. Wong was awarded the Binder Hamlyn Prize for the best student in financial management in 1978.

COMPANY SECRETARY

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

* For identification purpose only

CORPORATE GOVERNANCE REPORT

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 of the Company, throughout the year ended March 31, 2016, the Company has complied with the code provisions ("Code Provisions") set out in the Corporate Governance Code (the "CG Code") under Appendix 14 to the Listing Rules, except in respect of the following matters:

Code provision A.1.1 provides that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the year ended March 31, 2016, the Board only held two regular Board meetings. However, the Board held a number of ad hoc meetings during the year to discuss and resolve certain significant potential issues with the effect that Board meetings were held approximately every quarter and accordingly no further regular meetings were arranged. The Company's daily business operations are under the management of its executive Directors and management who also report to the other Directors individually from time to time to update all Directors of the position of the Company. To comply with Code provision A.1.1 and enhance the Company's corporate governance practices, the Board has scheduled four regular meetings for the year ending March 31, 2017 at quarterly intervals.

Code provision A.1.7 provides that if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. On December 28, 2015, the Board passed a written resolution to approve the extension of long stop date for the share sale and purchase transaction (the "Transaction") pursuant to the share purchase agreement dated April 8, 2015 entered among the Company, Ali JK Investment and Mr. Chen Wen Xin, where the following Directors of the Company, including Ms. Chen Xiao Ying, being a sibling of Mr. Chen Wen Xin, and each of Mr. Wu Yongming, Mr. Tsai Chung, Joseph, Ms. Huang Aizhu and Mr. Kang Kai, being an employee of Alibaba Group or its subsidiaries had material interests and had abstained from voting on the relevant resolution. A physical meeting was not able to be arranged due to the unavailability of certain Directors who did not have material interests in the Transaction. In order to determine an appropriate solution before the expiry of original long stop date, the Board decided to pass the relevant resolution by way of written resolution instead of at a physical meeting.

Code provision A.2.1 provides that the roles of chairman and chief executive should be separated and should not be the same individual. From April 1, 2015 to April 17, 2015, Dr. Wang Jian served as the chairman of the Board and the CEO of the Company. The Board believes that it was necessary to vest the roles of the chairman of the Board and the CEO of the Company in the same person given Dr. Wang Jian's experience and established market reputation in the industry, and his importance in the strategic development of the Company. The dual role arrangement helped to provide strong and consistent leadership and was critical for efficient business planning and decision making of the Company. As all major decisions of the Company were made in consultation with other members of the Board and the relevant Board committees, and there are three INEDs on the Board offering independent perspectives, the Board is of the view that there were adequate safeguards in place to ensure sufficient balance of powers with the Board and this deviation from the Code Provisions was therefore acceptable. With effect from April 17, 2015, Mr. Wu Yongming was appointed as the new Chairman of the Board and Mr. Wang Lei was appointed as the new CEO of the Company, such that there is now a segregation of duties between the Chairman and the CEO.

Code provision A.2.7 provides that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. During the year under review, all meetings were held with the executive Directors' presence. However, all the non-executive Directors (including independent non-executive Directors) were provided of opportunities to approach the chairman of the Company for discussion of any concerns and/or questions they might have. To comply with Code provision A.2.7 and enhance the Company's corporate governance practices, the Chairman of the Board has met with the non-executive Directors without the executive Directors present to discuss the business of the Group during the year ending March 31, 2017, and will commit sufficient time towards ongoing communications with the non-executive Directors.

CORPORATE GOVERNANCE REPORT

Code provision C.1.2 provides that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail 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. To comply with Code provision C.1.2 and enhance the Company's corporate governance practices, management will provide a monthly update on the Group's overall business and financial position to the Board for the Directors to better understand the Group's performance.

Code provision E.1.3 provides that the issuer should arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings. As management of the Company expected to hold a special general meeting at the same time as the annual general meeting, it postponed sending out the notice of annual general meeting to try to accommodate the special general meeting. However, such special general meeting was not able to be held as planned and the notice of annual meeting of the Company held on September 30, 2015 had been sent to its shareholders less than 20 clear business days before the date of the meeting.

THE BOARD

Composition

As at the date of this report, the Board comprises nine Directors, including (i) two executive Directors, namely Ms. Chen Xiao Ying and Mr. Wang Lei; (ii) four non-executive Directors, namely Mr. Wu Yongming, Mr. Tsai Chung, Joseph, Ms. Huang Aizhu and Mr. Kang Kai; and (iii) three independent non-executive Directors ("INED(s)"), namely Mr. Yan Xuan, Mr. Luo Tong and Mr. Wong King On, Samuel. The names and biographical details of each Director are disclosed on pages 23 to 24 of this Annual Report.

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

Each INED, pursuant to the guidelines set out in rule 3.13 of the Listing Rules, has confirmed he has been independent of the Company throughout the year ended March 31, 2016 and up to the date of this report, and the Company also considers that they have been independent. Each INED is subject to the requirement that one-third of all the directors shall retire from office by rotation at each annual general meeting pursuant to the Bye-Laws of the Company. There is no relationship (including financial, business, family or other material or relevant relationship) between each INED and the other members of the Board and between the Chairman and the Chief Executive Officer.

Function

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

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

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

CORPORATE GOVERNANCE REPORT

THE BOARD (continued)

Chairman and Chief Executive Officer ("CEO")

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and CEO should be separate and should not be performed by the same individual. From April 1, 2015 to April 17, 2015, there was no separation of the roles of chairman and CEO when Dr. Wang Jian served as the chairman of the Board and the CEO of the Company. The Board believed that it was necessary to vest the roles of chairman of the Board and CEO of the Company in the same person given Dr. Wang Jian's experience and established market reputation in the industry, and there was no imminent need to separate the roles into two individuals. Following the appointment of Mr. Wu Yongming as the new chairman of the Board and Mr. Wang Lei as the new CEO of the Company with effect from April 17, 2015, such that the Company has fully complied with the code provision A.2.1 of the CG Code.

The Board held 8 Board meetings during the year ended March 31, 2016. Agenda and accompanying board papers were sent to all Directors in a timely manner. Directors who could not attend in person could participate through other electronic means of communications. Individual attendance of each Director at the Board meetings, Board Committee meetings and Shareholder meeting(s) during the year ended March 31, 2016 are set out in the table below:

	Attended/Eligible to attend					
Directors	Annual General Meeting	Special General Meeting	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors						
Dr. Wang Jian *(Chairman)* (i)	0/0	0/0	1/2	N/A	N/A	0/1
Ms. Chen Xiao Ying *(Executive Vice Chairman)*	0/1	0/2	5/8	N/A	N/A	N/A
Mr. Wang Lei *(Chief Executive Officer)* (ii)	0/1	0/2	6/6	N/A	N/A	N/A
Non-executive Directors						
Mr. Wu Yongming (iii)	1/1	0/2	6/6	N/A	1/1	1/1
Mr. Chia Pun Kok (iv)	0/0	0/0	1/2	N/A	N/A	N/A
Mr. Zhang Yong (v)	0/0	0/1	2/4	0/1	0/1	N/A
Mr. Chen Jun (v)	0/0	0/1	3/4	N/A	N/A	N/A
Mr. Yu Feng (v)	0/0	0/1	2/4	N/A	N/A	N/A
Mr. Tsai Chung, Joseph (vi)	0/1	0/1	2/3	N/A	N/A	N/A
Ms. Huang Aizhu (vi)	1/1	0/1	1/3	N/A	N/A	N/A
Mr. Kang Kai (vi)	1/1	0/1	2/3	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. Yan Xuan	0/1	1/2	5/8	2/2	2/2	N/A
Mr. Luo Tong	1/1	1/2	6/8	1/2	N/A	2/2
Mr. Wong King On, Samuel	0/1	0/2	7/8	2/2	2/2	2/2

Notes:

(i) Dr. Wang Jian resigned as an executive Director on April 17, 2015.

(ii) Mr. Wang Lei was appointed as an executive Director on April 17, 2015.

(iii) Mr. Wu Yongming was appointed as a non-executive Director on April 17, 2015

(iv) Mr. Chia Pun Kok resigned as a non-executive Director on April 17, 2015.

(v) Each of Mr. Zhang Yong, Mr. Chen Jun and Mr. Yu Feng resigned as a non-executive Director on September 7, 2015.

(vi) Each of Mr. Tsai Chung, Joseph, Ms. Huang Aizhu and Mr. Kang Kai was appointed as a non-executive Director on September 8, 2015.

CORPORATE GOVERNANCE REPORT

THE BOARD (continued)

Directors' Training

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

Pursuant to Code Provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the financial year ended March 31, 2016, all of the following Directors participated in continuous professional development by attending introductory training or by self-studying of materials on the topics related to corporate governance and regulations:

Executive Directors	
Ms. Chen Xiao Ying	Self-study of relevant materials
Mr. Wang Lei	Attending introductory training
Non-executive Directors	
Mr. Wu Yongming	Attending introductory training
Mr. Tsai Chung, Joseph	Attending introductory training
Ms. Huang Aizhu	Attending introductory training
Mr. Kang Kai	Attending introductory training
Independent Non-executive Directors	
Mr. Yan Xuan	Attending seminars
Mr. Luo Tong	Attending seminars and self-study of relevant materials
Mr. Wong Kong On, Samuel	Attending seminars

Board Committees

Throughout the year ended March 31, 2016, the Company maintained the Audit Committee, the Nomination Committee and the Remuneration Committee in compliance with the Listing Rules and the relevant Code Provisions of the CG Code.

Remuneration Committee

With effect from May 9, 2014, the Board appointed Mr. Yan Xuan as the chairman of the Remuneration Committee and Mr. Zhang Yong and Mr. Wong King On, Samuel as members of the Remuneration Committee. On September 7, 2015, Mr. Zhang Yong resigned as a non-executive director and member of the Remuneration Committee and Mr. Wu Yongming was appointed as the new member of the Remuneration Committee with effect from September 7, 2015.

The Remuneration Committee currently comprises Mr. Yan Xuan, Mr. Wu Yongming and Mr. Wong King On, Samuel, with specific terms of reference which clearly deals with its authority and duties.

CORPORATE GOVERNANCE REPORT

THE BOARD (continued)

Remuneration Committee (continued)

The main duties of the Remuneration Committee include:

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

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

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

The Remuneration Committee held two meetings for the year ended March 31, 2016. The Remuneration Committee discussed and reviewed the remuneration paid to the directors of the Company for the year ended March 31, 2015, the remuneration recommendations on newly-appointed directors and the remuneration packages of the Directors for the year ending March 31, 2016, considered the grant of options and RSUs to be made to connected persons and non-connected persons, the CEO's cash remuneration package, the standard policy of grant of share awards and the delegation of power of grant under the Company's Share Award Scheme to the management remuneration committee, and made recommendations for the Board's approval.

Audit Committee

With effect from May 9, 2014, the Board appointed Mr. Wong King On, Samuel as chairman of the Audit Committee, and Mr. Zhang Yong, Mr. Yan Xuan and Mr. Luo Tong as members of the Audit Committee. On September 7, 2015, Mr. Zhang Yong resigned as a member of the Audit Committee.

The Audit Committee currently comprises Mr. Wong King On, Samuel, Mr. Yan Xuan and Mr. Luo Tong, with specific terms of reference which clearly deals with its authority and duties.

The main duties of the Audit Committee include:

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

THE BOARD (continued)

Audit Committee (continued)

The Audit Committee held two meetings for the financial year ended March 31, 2016. The Audit Committee reviewed the financial reporting system, compliance procedures, internal controls, risk management systems and processes, and the re-appointment of the external auditor. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. The Audit Committee also reviewed the interim and final results of the Company and its subsidiaries for the interim period and the fiscal year as well as the audit report prepared by the external auditor relating to accounting issues and major findings in the course of their audit. Currently, the Company does not have a specialized internal audit function. The Audit Committee and the Board believe that a specialized internal audit function will help better carry out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems. Therefore, the Company is in the process of setting up a specialized internal audit function.

Nomination Committee

With effect from May 9, 2014, the Nomination Committee was newly formed under the Board and Dr. Wang Jian was appointed as the chairman of the Nomination Committee. On April 17, 2015, Dr. Wang Jian resigned as chairman of the Nomination Committee and Mr. Wu Yongming was appointed as the new chairman of the Nomination Committee with effect from April 17, 2015.

The Nomination Committee currently comprises Mr. Wu Yongming, Mr. Luo Tong and Mr. Wong King On, Samuel, with specific terms of reference which clearly deals with its authority and duties.

The main duties of the Nomination Committee include:

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

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

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

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

The Nomination Committee held two meetings for the year ended March 31, 2016. The Nomination Committee nominated the new Directors to the Board to fill the vacancies, assessed the independence of the independent non-executive Directors and considered the re-appointment of the retiring Directors.

Board Diversity Policy

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

Model Code for Securities Transactions

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules (the "Model Code") to regulate the Directors' dealings in the Group's securities. In response to specific enquires by the Company, all Directors have confirmed that they have complied with the Model Code in their securities transactions throughout the year ended March 31, 2016.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

During the period under review, the Company Secretary, Mr. Au Kin Fai was a full-time employee of the Company. The Company Secretary supports the daily operation of the Board by ensuring good information flow and reports to the Board in an effective and efficient manner. Mr. Au Kin Fai met the requirements on professional training under the Rule 3.29 of the Listing Rules during the financial year. Mr. Au resigned as the Company Secretary of the Company on May 31, 2016 and Ms. Lew Aishan Nicole was appointed as the Company Secretary of the Company on June 1, 2016. Ms. Lew's biographical details are disclosed on page 24 of this Annual Report.

AUDITORS' REMUNERATION

The remuneration paid to Ernst & Young for audit and non-audit services for the year ended March 31, 2016 amounted to approximately RMB737,000 and RMB1,619,000, respectively. The non-audit services provided by Ernst & Young to the Group were in relation to the review service on the interim results, limited assurance services on continuing connected transactions, other professional service related to the Proposed Acquisition and GAAP analysis service.

MATERIAL UNCERTAINTIES

China is undergoing medical and healthcare reforms and the Board believes that these reforms will be beneficial to the long-term development of the entire medical and healthcare industry and is also confident that the Company's mission, overall strategy and business plans are in line with the trends of such reforms.

However, the Company believes that, while these reforms are underway, there are currently substantial regulatory uncertainties in relation to the medical and healthcare industry in the PRC. Such uncertainties are exemplified by the fact that the PRC government is (a) currently completing the rule-making process in respect of the Measures for the Supervision and Administration of Internet Food and Drug Business Operation (《互聯網食品藥品經營監督管理辦法》), which may materially affect, among other things, the licensing through permits related to the provision of drugs online, including through third party B2C platforms, and (b) seeking public consultation on the Good Supply Practice for Pharmaceutical Products (《藥品經營質量管理規範》), which may affect industry participants including the Company in relation to drug tracking systems, and the drug PIAT business. More details on the PRC regulatory developments are set out in the announcement of the Company dated April 1, 2016.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

It is also the Board's responsibility to review the effectiveness of the Group's risk management system and ensure that risk management controls are sound and effective to safeguard the investment of the Company's shareholders and the Group's assets at all times.

The Audit Committee performs the duties of risk management and internal control on behalf of the Board to oversee the management in the establishment, maintenance and monitoring of effective risk management and internal control systems.

The Audit Committee reviewed the Group's risk management and internal controls and concluded that for the year ended March 31, 2016, (a) the Group's risk management and internal control systems were effective; (b) the Group had adopted the necessary control mechanisms to monitor and correct non-compliance; and (c) the Group had complied satisfactorily with the requirements of the Corporate Governance Code in respect of risk management and internal control systems.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER COMMUNICATION POLICY

Purpose

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

Communication Strategies

Corporate Website

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

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

Shareholders' meetings

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

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

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

Shareholder Privacy

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

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene a special general meeting

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

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

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS (continued)

Procedures for putting forward proposals at general meetings

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

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

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

Procedures for sending enquires to the Board

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

CONSTITUTIONAL DOCUMENTS

At the special general meeting of the Company held on November 24, 2014, the shareholders of the Company approved the amendments to the Bye-Laws of the Company (the "Bye-Laws") by deleting in its entirety the old bye-law 140 of the Bye-Laws and replaced with a new bye-law 140, so as to facilitate the operation of the Share Award Scheme adopted on the same date. Please refer to the circular of the Company dated October 31, 2014 for the details of such amendments.

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

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

The statement of the Company's auditors about their reporting responsibilities on the Financial Statements is set out in the Independent Auditor's Report on page 34.

INDEPENDENT AUDITORS' REPORT

To the shareholders of Alibaba Health Information Technology Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Alibaba Health Information Technology Limited (the "Company") and its subsidiaries set out on pages 36 to 95, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (continued)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 March 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong
22 June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended March 31, 2016

	Notes	**2016** **RMB'000**	2015 RMB'000 (Restated)
REVENUE	5	**56,595**	29,744
Cost of revenue		**(18,602)**	(13,780)
Gross profit		**37,993**	15,964
Other income	5	**14,702**	87,238
Sales and marketing expenses		**(80,787)**	(54,014)
Administrative expenses		**(91,797)**	(58,951)
Product development expenses		**(76,153)**	(34,130)
Other expenses		**(26,143)**	(54,241)
Share of profits of:			
A joint venture		**11,892**	5,688
An associate		**13,176**	9,268
LOSS BEFORE TAX	6	**(197,117)**	(83,178)
Income tax expense	9	**(1,851)**	(927)
LOSS FOR THE YEAR		**(198,968)**	(84,105)
Attributable to:			
Owners of the parent		**(191,608)**	(81,221)
Non-controlling interests		**(7,360)**	(2,884)
		(198,968)	(84,105)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	10	**RMB(2.34) cents**	RMB(1.04) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended March 31, 2016

	2016 RMB'000	2015 RMB'000 (Restated)
LOSS FOR THE YEAR	(198,968)	(84,105)
Other comprehensive income/(loss) may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	49,876	(2,076)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	49,876	(2,076)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(149,092)	(86,181)
Attributable to:		
Owners of the parent	(141,732)	(83,297)
Non-controlling interests	(7,360)	(2,884)
	(149,092)	(86,181)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2016

	Notes	**March 31, 2016 RMB'000**	March 31, 2015 RMB'000 (Restated)	April 1, 2014 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property and equipment	11	**6,546**	4,180	8,075
Intangible assets	12	**–**	–	28,826
Investment in a joint venture	13	**87,064**	75,172	69,484
Investment in an associate	14	**108,802**	95,626	86,358
Long-term deposits	17	**110,250**	–	–
Total non-current assets		**312,662**	174,978	192,743
CURRENT ASSETS				
Trade receivables	15	**106**	1,070	18,980
Prepayments, deposits and other receivables	16	**14,824**	14,994	6,518
Cash and cash equivalents	17	**1,020,558**	1,217,679	177,071
Total current assets		**1,035,488**	1,233,743	202,569
CURRENT LIABILITIES				
Trade payables	18	**3,751**	3,653	2,194
Other payables and accruals	19	**55,358**	60,374	45,837
Deferred revenue	20	**86,873**	19,908	17,167
Advance from customers		**39,878**	38,174	28,569
Tax payable		**–**	15	15
Total current liabilities		**185,860**	122,124	93,782
NET CURRENT ASSETS		**849,628**	1,111,619	108,787
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,162,290**	1,286,597	301,530
NON-CURRENT LIABILITIES				
Deferred tax liability	21	**7,019**	5,174	4,247
Deferred revenue	20	**–**	14,532	15,657
Total non-current liabilities		**7,019**	19,706	19,904
Net assets		**1,155,271**	1,266,891	281,626
EQUITY				
Equity attributable to owners of the parent				
Share capital	22	**72,305**	72,305	36,916
Reserves	24	**1,149,055**	1,253,315	300,555
		1,221,360	1,325,620	337,471
Non-controlling interests		**(66,089)**	(58,729)	(55,845)
Total equity		**1,155,271**	1,266,891	281,626

WU YONGMING
Director

WANG LEI
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended March 31, 2016

		Attributable to owners of the parent										
	Notes	Share capital RMB'000	Share premium account RMB'000	Employee share-based compensation reserve RMB'000	Capital reserve RMB'000 (note 24)	Contributed surplus RMB'000 (note 24)	General reserve RMB'000 (note 24)	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At April 1, 2014 (restated)		36,916	838,129	187	23,227	77,335	13,468	(26,940)	(624,851)	337,471	(55,845)	281,626
Loss for the year		–	–	–	–	–	–	–	(81,221)	(81,221)	(2,884)	(84,105)
Other comprehensive loss for the year:												
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(2,076)	–	(2,076)	–	(2,076)
Total comprehensive loss for the year		–	–	–	–	–	–	(2,076)	(81,221)	(83,297)	(2,884)	(86,181)
Issue of shares	22	35,386	1,026,177	–	–	–	–	–	–	1,061,563	–	1,061,563
Share issue expenses	22	–	(2,137)	–	–	–	–	–	–	(2,137)	–	(2,137)
Exercise of share options	23	3	1,452	(187)	–	–	–	–	–	1,268	–	1,268
Contribution from shareholders of the Company	23	–	–	–	10,752	–	–	–	–	10,752	–	10,752
At March 31, 2015 (restated)		72,305	1,863,621*	–*	33,979*	77,335*	13,468*	(29,016)*	(706,072)*	1,325,620	(58,729)	1,266,891
At March 31, 2015 and April 1, 2015 (restated)		72,305	1,863,621	–	33,979	77,335	13,468	(29,016)	(706,072)	1,325,620	(58,729)	1,266,891
Loss for the year		–	–	–	–	–	–	–	(191,608)	(191,608)	(7,360)	(198,968)
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations		–	–	–	–	–	–	49,876	–	49,876	–	49,876
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	49,876	(191,608)	(141,732)	(7,360)	(149,092)
Share-based compensation expense	23	–	–	37,472	–	–	–	–	–	37,472	–	37,472
At March 31, 2016		72,305	1,863,621*	37,472*	33,979*	77,335*	13,468*	20,860*	(897,680)*	1,221,360	(66,089)	1,155,271

* These reserve accounts comprise the consolidated reserves of approximately RMB1,149,055,000 (2015: RMB1,253,315,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(197,117)	(83,178)
Adjustments for:			
Share of profits of a joint venture		(11,892)	(5,688)
Share of profits of an associate		(13,176)	(9,268)
Interest income	5	(14,518)	(16,058)
Settlement of litigation and reversal of related accruals	5	–	(70,434)
Loss on write-off of intangible assets	6	–	26,892
Loss on disposal of items of property and equipment	6	2,827	1,358
Depreciation	6	3,550	5,900
Amortisation of intangible assets	6	–	1,934
Impairment of trade receivables	6	3,455	19,238
Impairment of other receivables	6	1,250	150
Foreign exchange differences, net		12,075	–
Share-based compensation expense	6	37,472	10,752
		(176,074)	(118,402)
Increase in trade receivables		(2,491)	(1,329)
Increase in prepayments, deposits and other receivables		(726)	(7,442)
Increase in trade payables		98	1,459
(Decrease)/increase in other payables and accruals		(5,016)	46,307
Increase in deferred revenue		52,433	1,616
Increase in advance from customers		1,704	9,605
Exchange differences		(1,246)	(2,075)
Cash used in operations		(131,318)	(70,261)
Interest received		14,164	14,874
PRC Taxes paid		(21)	–
Net cash flows used in operating activities		(117,175)	(55,387)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended March 31, 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
Net cash flows used in operating activities		**(117,175)**	(55,387)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment	11	**(8,736)**	(3,481)
Proceeds from disposal of items of property and equipment		–	118
Net refund from the settlement of a litigation	28	–	38,663
Placement of time deposits with original maturity over three months when acquired		**(412,297)**	(123)
Net cash flows from/(used in) investing activities		**(421,033)**	35,177
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	22	–	1,062,831
Share issue expenses	22	–	(2,137)
Net cash flows from financing activities		–	1,060,694
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(538,208)**	1,040,484
Effect of foreign exchange rate changes		**39,040**	–
Cash and cash equivalents at beginning of year		**1,213,586**	173,102
CASH AND CASH EQUIVALENTS AT END OF YEAR		**714,418**	1,213,586
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	17	**142,516**	127,449
Time deposits with original maturity of three months or less when acquired	17	**571,902**	1,086,137
Time deposits with original maturity over three months and within twelve months when acquired	17	**306,140**	4,093
Cash and cash equivalents as stated in the consolidated statement of financial position	17	**1,020,558**	1,217,679
Time deposits with original maturity over three months and within twelve months when acquired	17	**(306,140)**	(4,093)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**714,418**	1,213,586

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

1. CORPORATE AND GROUP INFORMATION

Alibaba Health Information Technology Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The principal place of business of the Company is located at 17th to 19th Floors, Greenland Center (before October 31, 2015: Fairmont Building), Beijing, the People's Republic of China ("PRC").

During the year, the Company and its subsidiaries (together, the "Group") were involved in the operation of product identification, authentication and tracking system ("PIATS") principally for the drug industry in the PRC, the construction of a medical services network and the pharmaceutical e-commerce business. In the opinion of the directors, the immediate holding company of the Company is Perfect Advance Holding Limited ("Perfect Advance"), which is incorporated in the British Virgin Islands. With effect from July 1, 2015, as a result of certain amendments made to the terms of the shareholders' agreement governing the arrangements between the shareholders of Perfect Advance, Alibaba Investment Limited, a subsidiary of Alibaba Group Holding Limited ("Alibaba Group"), acquired indirect control over the voting rights attaching to all of the shares of the Company held by Perfect Advance. Accordingly, in the opinion of the directors, Alibaba Group became the ultimate holding company of the Company with effect from July 1, 2015.

Information about subsidiaries

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Alibaba Health (Hong Kong) Technology Company Limited (Formerly known as CITIC 21CN Telecom Company Limited)	Hong Kong	HK$1,000,000	–	100	Investment holding
中信二十一世紀 (中國) 科技有限公司 (CITIC 21CN (China) Technology Company Limited[@])*#	PRC/Mainland China	RMB200,000,000	–	100	Provision of product identification, authentication and tracking system business in the drug industry
廣東天圖科技有限公司 (Guangdong Grand Cycle Technology Company Limited[@])*#	PRC/Mainland China	HK$21,000,000	–	100	Dormant
中信國檢信息技術有限公司 (China Credit Information Technology Company Limited[@]) ("CCIT")*^	PRC/Mainland China	RMB60,000,000	–	50	Provision of product identification, authentication and tracking system in other consumer product industries

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
阿里健康科技(北京)有限公司 (Alibaba Health Technology (Beijing) Co., Ltd. @) ("Alibaba Health Technology Beijing")*	PRC/Mainland China	RMB220,000,000	–	100	Research and development of telemedicine, providing telemedicine service and comprehensive members service to users and engaging in pharmaceutical e-commerce

@ For identification purposes only

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

\# Registered as wholly-foreign-owned enterprises under PRC law

^ CCIT is accounted for as a subsidiary of the Group because the percentage of voting power attributable to the Group is 80% due to an entrustment arrangement between the Group and a 30% shareholder of CCIT, pursuant to which the shareholder entrusted all his voting right to the Group

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

2.1 CHANGE OF PRESENTATION CURRENCY

The Company's functional currency is Hong Kong dollars ("HK$"). The presentation currency of the consolidated financial statements in the prior financial year was HK$.

Since the Group mainly operates its business in PRC, the Directors consider that it is more appropriate to use Renminbi ("RMB") as the presentation currency of the Group and that the presentation of financial statements in RMB can provide more relevant information for management to control and monitor the performance and financial position of the Group. Accordingly, the Company has changed its presentation currency for the preparation of its consolidated financial statements from HK$ to RMB starting from the financial year ended March 31, 2016. The comparative figures in these consolidated financial statements have been restated from HK$ to RMB accordingly.

For the purpose of presenting the consolidated financial statements of the Group in RMB, the assets and liabilities for the consolidated statement of financial position are translated into RMB at the closing rate at the end of the reporting period. Income and expenses for the consolidated statement of profit or loss and consolidated statement of comprehensive income are translated at the average exchange rates for the relevant financial year, unless exchange rates fluctuated significantly during the year, in which case, the exchange rates prevailing on the dates of transactions are used. The share capital, the share premium and reserves are translated at the exchange rates on the dates of the relevant transactions.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

2.1 CHANGE OF PRESENTATION CURRENCY (continued)

The relevant exchange rates used to re-present the comparative figures at April 1, 2014 and March 31, 2015 and for the year ended March 31, 2015 are as follows:

Year ended March 31, 2014	HK$1 = RMB
Average rate	1.25
Closing rate	1.25
Year ended March 31, 2015	HK$1 = RMB
Average rate	1.25
Closing rate	1.25

The change in presentation currency mainly impacted the carrying amount of foreign currency translation reserves from HK$74,860,000 and HK$72,264,000 to RMB26,940,000 (credit balance) and RMB29,016,000 (credit balance) as at March 31, 2014 and 2015, respectively.

2.2 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. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended March 31, 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

2.2 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

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

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

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group.

- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(c) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the Group did not acquire any investment properties during the year.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

As further explained in note 2.1, the Company changed its presentation currency from HK$ to RMB starting from the current financial year. The change was retrospectively applied.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[5]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*[1]

1 Effective for annual periods beginning on or after January 1, 2016
2 Effective for annual periods beginning on or after January 1, 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after January 1, 2016 and therefore is not applicable to the Group
4 No mandatory effective date determined but available for early adoption
5 Effective for annual periods beginning on or after January 1, 2019

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from April 1, 2018. The Group is currently assessing the impact of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments upon the effective date to be specified by the HKICPA.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on April 1, 2016.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to January 1, 2018. The Group expects to adopt HKFRS 15 on April 1, 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from April 1, 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on April 1, 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

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

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

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

Business combinations and goodwill

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

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

Impairment of non-financial assets

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment and depreciation

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

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

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

Leasehold improvements	Over the shorter of lease terms or 33⅓%
Computer equipment, furniture and fixtures	9%–33⅓%
Motor vehicles	9%–33⅓%

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

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

Construction in progress represents equipment under installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the costs of equipment. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

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

Licence rights

Licence rights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 20 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding three years, commencing from the date when the products are put into commercial production.

Operating leases

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value.

The Group's financial liabilities include trade payables and other payables.

Subsequent measurement

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

Loans and borrowings

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

Income tax

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the PIATS business, as further explained in the accounting policy for "PIATS business" below;

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

(c) dividend income, when the shareholders' right to receive payment has been established.

PIATS business

The Group renders series of underlying services through its PIATS platform to the customers, including product tracking, and providing recall and enforcement information. The service is rendered over a period of time. Deferred revenue is recorded upon delivery of the security keys to customers, and revenue is recognised ratably over the period when the underlying services are provided.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company operated a share option scheme, which became effective on August 29, 2013 and was terminated in November 2014, and adopted a share award scheme on November 24, 2014, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of share options is determined using a binomial model and the fair value of restricted share unites ("RSUs") is determined with reference to the market price of the underlying shares, further details of which are given in note 23 to the financial statements.

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

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

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

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options and/or awards is reflected as additional share dilution in the computation of loss per share.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Full-time employees of the Group's subsidiaries which operate in Mainland China are required to participate in a defined contribution scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the defined contribution scheme which includes pension, medical care, unemployment insurance, employee housing fund and other welfare. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the defined contribution scheme. The Group has no legal obligation for the benefits beyond the contributions made.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Company's functional currency is HK$, while these financial statements are presented in RMB, which is the Company's presentation currency since the current financial year. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of the Company and overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Service period of the PIATS business

The Group conducts the PIATS business and renders service principally to the drugs industry in the PRC. In respect of certain customers, the Group estimated and determined the service period based on the Group's business plan and foreseeable circumstances. As the service period is an accounting estimate, the Group will continue to review and assess such estimation from time to time, as the Group continues its operation of the PIATS business.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of trade receivables

The Group maintains an allowance for the estimated loss arising from the inability of its customers to make the required payments. When there is objective indication of impairment loss, the Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial conditions of its customers deteriorate, the actual impairment loss may be higher than expected, the Group would be required to revise the basis of making the allowance.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. No deferred tax asset was recognised in the consolidated statement of financial position at March 31, 2016 in relation to the estimated unused tax losses. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Recognition of share-based compensation expense

The Company adopted its share award scheme. Share-based compensation expense is recorded net of estimated forfeitures in consolidated statement of profit or loss and as such is recorded for only those share-based awards that are expected to vest. Determining the fair value of share options requires significant judgment. The Company estimated the fair value of its share options using the Binomial model, which requires the Group to make estimates about inputs, such as expected volatility, expected dividend yield, exercise multiple, risk-free interest rate and expected forfeiture rate, and hence it is subject to uncertainty.

4. OPERATING SEGMENT INFORMATION

The Group is primarily engaged in the operation of PIATS principally for the drug industry in the PRC (the "Drug PIATS"), the construction of a medical services network and the pharmaceutical e-commerce business. Given that the medical services network and the pharmaceutical e-commerce business were still in an early stage of development during the year, the chief operating decision makers of the Company consider that the Group's operations currently primarily comprise one single segment of operating the PIATS business, and accordingly, no segment information is presented.

Geographical information

Substantially all of the Group's revenue and non-current assets were derived from and located in the PRC and, therefore, no geographical analysis is presented.

Information about a major customer

During the years ended March 31, 2016 and 2015, there was no revenue derived from transactions with a single external customer which individually amounted to 10% or more of the Group's revenue.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

5. REVENUE AND OTHER INCOME

Revenue represents the revenue recognised from the PIATS business during the year.

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

	2016 RMB'000	2015 RMB'000 (Restated)
Revenue		
PIATS business	**56,595**	29,744
Other income		
Bank interest income	**14,518**	16,058
Recovery of bad debts previously written off	**–**	746
Settlement of litigation and reversal of related accruals *(note 28)*	**–**	70,434
Others	**184**	–
	14,702	87,238

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
Auditors' remuneration		**737**	680
Cost of revenue (excluding employee benefit expense and share-based compensation expense)		**17,989**	12,376
Depreciation	*11*	**3,550**	5,900
Amortisation of intangible assets	*12*	**–**	1,934
Loss on write-off of intangible assets*	*12*	**–**	26,892
Loss on disposal of items of property and equipment*		**2,827**	1,358
Minimum lease payments under operating leases for office buildings		**15,489**	8,859
Impairment of trade receivables*	*15*	**3,455**	19,238
Impairment of other receivables*	*16*	**1,250**	150
Employee benefit expense (including directors' and chief executive's remuneration – *note 7*):			
Wages and salaries		**105,052**	60,749
Pension scheme contributions**		**9,484**	4,062
Share-based compensation expense	*23*	**37,472**	10,752
		152,008	75,563
Foreign exchange differences, net*		**17,832**	6,214

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

** At March 31, 2016, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2015: Nil).

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
Fees	**687**	686
Other emoluments:		
Salaries, allowances and benefits in kind	**334**	80
Performance related bonuses	**21**	–
Share-based compensation expense	**6,137**	–
Pension scheme contributions	**–**	1
	6,492	81
	7,179	767

During the year, one director of the Company was granted share options and RSUs, in respect of his services to the Group, under the share award scheme of the Company, further details of which are set out in note 23 to the financial statements. The fair value of such options and RSUs, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

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

	2016 RMB'000	2015 RMB'000 (Restated)
Mr. Wong King On, Samuel[2]	**295**	258
Mr. Yan Xuan[2]	**196**	172
Mr. Luo Tong[2]	**196**	172
Dr. Hui Ho Ming, Herbert, JP[1]	**–**	54
Dr. Long Junsheng[1]	**–**	30
	687	686

1 Resigned on May 9, 2014
2 Appointed on May 9, 2014

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

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

(b) Executive directors and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonus RMB'000	Share-based compensation expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2016						
Executive directors:						
Dr. Wang Jian[2,5]	–	–	–	–	–	–
Mr. Wang Lei[4]	–	334	21	6,137	–	6,492
Ms. Chen Xiao Ying*	–	–	–	–	–	–
	–	334	21	6,137	–	6,492
Non-executive directors:						
Mr. Zhang Yong[2,6]	–	–	–	–	–	–
Mr. Chen Jun[2,6]	–	–	–	–	–	–
Mr. Chia Pun Kok[2,5]	–	–	–	–	–	–
Mr. Yu Feng[2,6]	–	–	–	–	–	–
Mr. Wu Yongming[3]	–	–	–	–	–	–
Mr. Tsai Chung, Joseph[7]	–	–	–	–	–	–
Ms. Huang Aizhu[7]	–	–	–	–	–	–
Mr. Kang Kai[7]	–	–	–	–	–	–
	–	–	–	–	–	–
	–	334	21	6,137	–	6,492

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

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

(b) Executive directors and non-executive directors (continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share-based compensation expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2015					
Executive directors:					
Dr. Wang Jian[2,5]	–	–	–	–	–
Ms. Chen Xiao Ying*	–	80	–	1	81
Mr. Wang Jun[2]	–	–	–	–	–
Mr. Luo Ning[1]	–	–	–	–	–
Mr. Sun Yalei[1]	–	–	–	–	–
Mr. Zhang Lian Yang[1]	–	–	–	–	–
Ms. Xia Guilan[1]	–	–	–	–	–
	–	80	–	1	81
Non-executive directors:					
Mr. Zhang Yong[2,6]	–	–	–	–	–
Mr. Chen Jun[2,6]	–	–	–	–	–
Mr. Chia Pun Kok[2,5]	–	–	–	–	–
Mr. Yu Feng[2,6]	–	–	–	–	–
	–	–	–	–	–
	–	80	–	1	81

1 Resigned on April 30, 2014
2 Appointed on April 30, 2014
3 Appointed on April 17, 2015
4 Appointed on April 17, 2015, also appointed as the chief executive
5 Resigned on April 17, 2015
6 Resigned on September 7, 2015
7 Appointed on September 8, 2015

* Ms. Chen Xiao Ying ("Ms. Chen") agreed to waive her remuneration of HK$100,000 (equivalent to approximately RMB80,000) per month from May 2014 onwards. During the year ended March 31, 2016, Ms. Chen's remuneration of RMB960,000 (2015: RMB880,000) has been waived.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2015: Nil) director, details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining four (2015: five) non-director, highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016 **RMB'000**	2015 RMB'000 (Restated)
Salaries, allowances and benefits in kind	**4,562**	18,222
Performance related bonuses	**–**	1,402
Share-based compensation expense	**14,117**	10,752
Pension scheme contributions	**136**	69
	18,815	30,445

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
HK$1,000,001 to HK$1,500,000	–	2
HK$1,500,001 to HK$2,000,000	–	1
HK$4,500,001 to HK$5,000,000	1	–
HK$5,000,001 to HK$5,500,000	1	–
HK$5,500,001 to HK$6,000,000	1	–
HK$6,500,001 to HK$7,000,000	1	–
HK$16,500,001 to HK$17,000,000	–	1
HK$17,500,001 to HK$18,000,000	–	1
	4	5

During the year, share options and RSUs were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 23 to the financial statements. The fair value of such options and RSUs, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

9. INCOME TAX

	2016 RMB'000	2015 RMB'000 (Restated)
Current – Mainland China		
Underprovision in prior years	**6**	–
Deferred *(note 21)*	**1,845**	927
Total tax charge for the year	**1,851**	927

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2015: Nil).

In general, the PRC subsidiaries of the Group are subject to the PRC corporate income tax rate of 25% except for a PRC subsidiary which is entitled to a preferential tax rate at 15% for the three years ending December 31, 2017.

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

The share of tax attributable to a joint venture amounting to approximately RMB3,735,000 (2015: RMB2,106,000) is included in "Share of profits of a joint venture" in the consolidated statement of profit or loss.

The share of tax attributable to an associate amounting to approximately RMB906,000 (2015: RMB1,519,000) is included in "Share of profits of an associate" in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

9. INCOME TAX (continued)

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the jurisdiction in which the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2016		2015	
	RMB'000	%	RMB'000 (Restated)	%
Loss before tax	(197,117)		(83,178)	
Tax at the statutory tax rate of Mainland China	(49,280)	25.0	(20,794)	25.0
Effect of different tax rates of subsidiaries operating in Hong Kong	4,000	(2.0)	808	(1.0)
Lower tax rate enacted by local authority	12,176	(6.2)	8,351	(10.0)
Income not subject to tax	(2,327)	1.2	(2,744)	3.3
Expenses not deductible for tax	19,341	(9.8)	15,269	(18.4)
Adjustments in respects of current tax of previous periods	6	–	–	–
Research and development super deduction	(2,784)	1.4	(725)	0.9
Tax losses utilised from previous periods	–	–	(28)	–
Tax losses and deductible temporary differences not recognised	25,141	(12.7)	3,602	(4.3)
Profits attributable to a joint venture	(2,973)	1.5	(1,422)	1.7
Profits attributable to an associate	(3,294)	1.7	(2,317)	2.8
Withholding tax on the distributable profits of the Group's PRC joint venture	527	(0.3)	–	–
Withholding tax on the distributable profits of the Group's PRC associate	1,318	(0.7)	927	(1.1)
Tax charge at the Group's effective rate	1,851	(0.9)	927	(1.1)

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 8,172,644,639 (2015: 7,810,075,649) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended March 31, 2015 and 2016 in respect of a dilution as the impact of the share options and RSUs outstanding had an anti-dilutive effect on the loss per share amounts presented.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

11. PROPERTY AND EQUIPMENT

	Leasehold improvements RMB'000	Computer equipment, furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
March 31, 2016					
At March 31, 2015 and at April 1, 2015:					
Cost	8,648	35,031	1,406	41	45,126
Accumulated depreciation and impairment	(7,026)	(32,541)	(1,379)	–	(40,946)
Net carrying amount	1,622	2,490	27	41	4,180
At April 1, 2015, net of accumulated depreciation and impairment	1,622	2,490	27	41	4,180
Additions	6,332	2,196	208	–	8,736
Disposals	–	(2,800)	(27)	–	(2,827)
Depreciation provided during the year	(2,326)	(1,207)	(17)	–	(3,550)
Transfers	–	41	–	(41)	–
Exchange realignment	–	7	–	–	7
At March 31, 2016, net of accumulated depreciation and impairment	5,628	727	191	–	6,546
At March 31, 2016:					
Cost	6,397	29,263	208	–	35,868
Accumulated depreciation and impairment	(769)	(28,536)	(17)	–	(29,322)
Net carrying amount	5,628	727	191	–	6,546

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

11. PROPERTY AND EQUIPMENT (continued)

	Leasehold improvements RMB'000 (Restated)	Computer equipment, furniture and fixtures RMB'000 (Restated)	Motor vehicles RMB'000 (Restated)	Construction in progress RMB'000 (Restated)	Total RMB'000 (Restated)
March 31, 2015					
At April 1, 2014:					
Cost	9,402	55,662	1,406	2,704	69,174
Accumulated depreciation and impairment	(6,548)	(53,172)	(1,379)	–	(61,099)
Net carrying amount	2,854	2,490	27	2,704	8,075
At April 1, 2014, net of accumulated depreciation and impairment	2,854	2,490	27	2,704	8,075
Additions	457	2,813	–	211	3,481
Disposals	(910)	(566)	–	–	(1,476)
Depreciation provided during the year	(779)	(5,121)	–	–	(5,900)
Transfers	–	2,874	–	(2,874)	–
At March 31, 2015, net of accumulated depreciation and impairment	1,622	2,490	27	41	4,180
At March 31, 2015:					
Cost	8,648	35,031	1,406	41	45,126
Accumulated depreciation and impairment	(7,026)	(32,541)	(1,379)	–	(40,946)
Net carrying amount	1,622	2,490	27	41	4,180

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

12. INTANGIBLE ASSETS

	Licence rights RMB'000 (Restated)
March 31, 2015 and March 31, 2016	
At April 1, 2014:	
Cost	72,202
Accumulated amortization	(43,376)
Net carrying amount	28,826
Cost at April 1, 2014, net of accumulated amortisation and impairment	28,826
Amortisation provided during the year	(1,934)
Write-off *(note)*	(26,892)
At March 31, 2015, April 1, 2015 and March 31, 2016	–
At March 31, 2015, April 1, 2015 and March 31, 2016	
Cost	–
Accumulated amortisation and impairment	–
Net carrying amount	–

Note:

Licence rights represented the amounts paid for obtaining the unlimited deployment right of Oracle database management software and middleware for use in the PIATS business. During the year ended March 31, 2015, the Group changed its business operating system from the Oracle system to the Ali Cloud system, the Group expects that it will no longer receive any economic benefits from the use of the Oracle system, therefore, the Group wrote off the licence rights with a carrying amount of RMB26,892,000 and recognised a loss on write-off of intangible assets accordingly (note 6).

13. INVESTMENT IN A JOINT VENTURE

	2016 RMB'000	2015 RMB'000 (Restated)
Share of net assets	**87,064**	75,172

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

13. INVESTMENT IN A JOINT VENTURE (continued)

Particulars of the Group's joint venture are as follows:

Name	Particulars of capital held	Place of registration and business	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
北京鴻聯九五信息產業有限公司 ("Beijing Honglian 95 Information Industries Company Limited"@) ("HL95")*	Registered capital of RMB1 each	PRC/Mainland China	49	49	49	Provision of telecommunications/ information value added services

@ For identification purposes only

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

The above investment is indirectly held by the Company.

The following table illustrates the summarised financial information in respect of HL95 adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2016 RMB'000	2015 RMB'000 (Restated)
Cash and cash equivalents	95,454	29,108
Other current assets	193,129	188,199
Current assets	288,583	217,307
Non-current assets	41,873	55,667
Current liabilities	(151,469)	(118,822)
Non-current liabilities	(1,306)	(740)
Net assets	177,681	153,412
Reconciliation to the Group's investment in the joint venture:		
Proportion of the Group's ownership	49%	49%
Group's share of net assets of the joint venture	87,064	75,172
Carrying amount of the investment	87,064	75,172
Revenue	1,228,344	1,103,936
Depreciation and amortisation	(13,104)	(18,797)
Interest expenses	(228)	(149)
Tax	(7,622)	(4,298)
Profit and total comprehensive income for the year	24,270	11,608
Dividend received	–	–

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

14. INVESTMENT IN AN ASSOCIATE

	2016 RMB'000	2015 RMB'000 (Restated)
Share of net assets	**108,802**	95,626

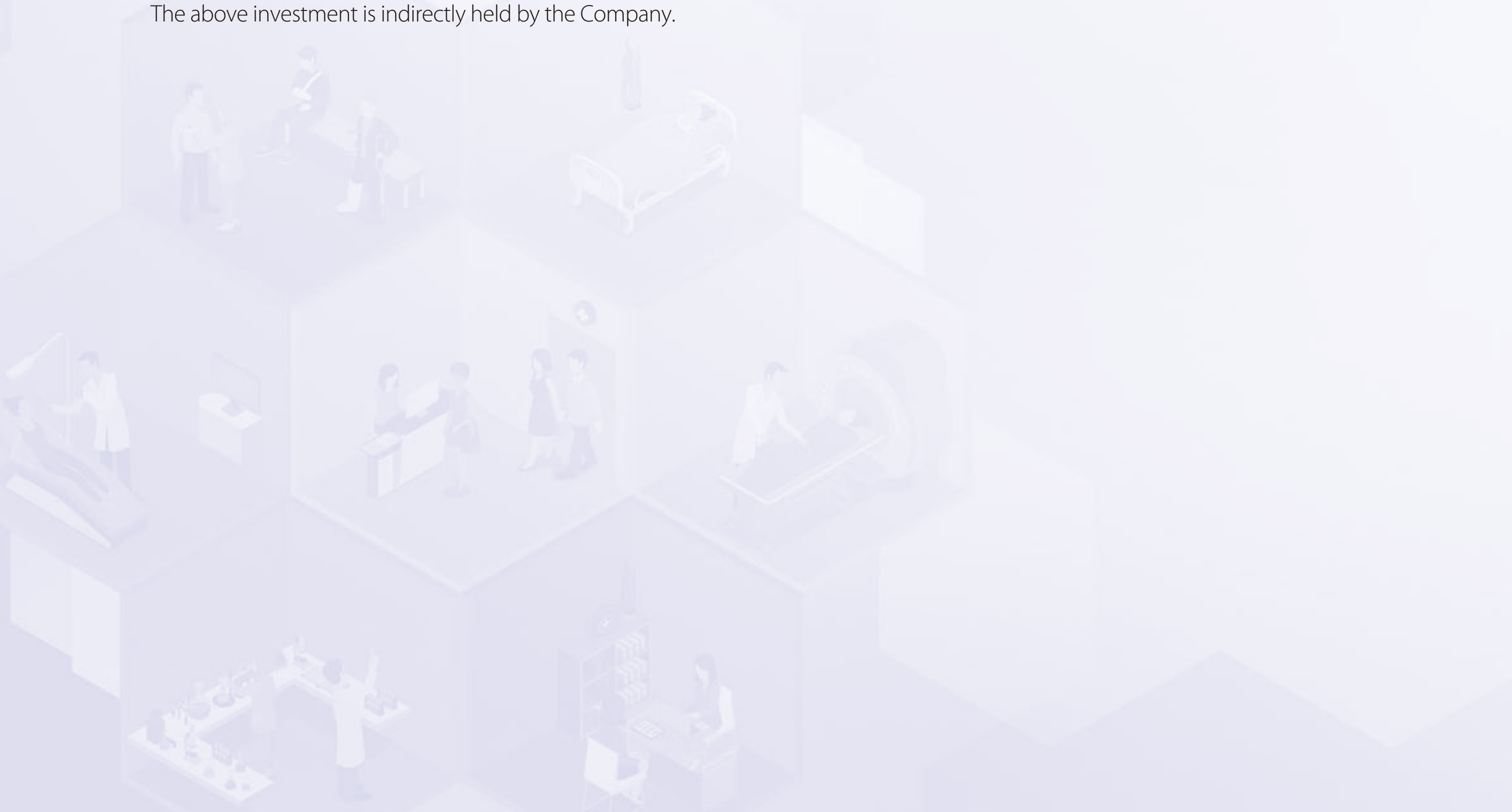
Particulars of the Group's associate are as follows:

Name	Particulars of capital held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
東方口岸科技有限公司 (Dongfang Customs Technology Company Limited[@]) ("Dongfang Customs")*	Registered capital of RMB1 each	PRC/Mainland China	30	Operation of platform for electronic customs processing

@ For identification purposes only

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

The above investment is indirectly held by the Company.



NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

14. INVESTMENT IN AN ASSOCIATE (continued)

The following table illustrates the summarised financial information in respect of Dongfang Customs adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2016 RMB'000	2015 RMB'000 (Restated)
Cash and cash equivalents	**234,828**	176,676
Other current assets	**63,737**	49,972
Current assets	**298,565**	226,648
Non-current assets	**148,885**	151,110
Current liabilities	**(74,261)**	(59,006)
Non-current liabilities	**(10,517)**	–
Net assets	**362,672**	318,752
Reconciliation to the Group's investment in an associate:		
Proportion of the Group's ownership	**30%**	30%
Group's share of net assets of the associate	**108,802**	95,626
Carrying amount of the investment	**108,802**	95,626
Revenue	**112,956**	136,580
Interest income	**1,227**	1,550
Depreciation and amortisation	**(8,680)**	(8,800)
Tax	**(3,020)**	(5,063)
Profit and total comprehensive income for the year	**43,920**	30,894
Dividend received	**–**	–

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

15. TRADE RECEIVABLES

	2016 RMB'000	2015 RMB'000 (Restated)
Trade receivables	**22,799**	20,308
Impairment	**(22,693)**	(19,238)
	106	1,070

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

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

	2016 RMB'000	2015 RMB'000 (Restated)
Within 3 months	**4**	1,070
3 to 12 months	**102**	–
	106	1,070

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

	2016 RMB'000	2015 RMB'000 (Restated)
At April 1	**19,238**	2,257
Impairment losses recognised *(note 6)*	**3,455**	19,238
Amount written off as uncollectible	**–**	(2,257)
At March 31	**22,693**	19,238

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

15. TRADE RECEIVABLES (continued)

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately RMB22,693,000 (2015: RMB19,238,000) with a carrying amount before provision of approximately RMB22,693,000 (2014: RMB19,238,000). The individually impaired trade receivables relate to customers that were in default and the full amount of the receivables is not expected to be recoverable.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
Neither past due nor impaired	–	1,070
Past due but not impaired	106	–
	106	1,070

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000 (Restated)
Prepayments	3,602	3,420
Deposits and other receivables	12,179	11,724
	15,781	15,144
Impairment	(957)	(150)
	14,824	14,994

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

	2016 RMB'000	2015 RMB'000 (Restated)
At April 1,	150	282
Impairment losses recognised *(note 6)*	1,250	150
Amount written off as uncollectible	(443)	(282)
At March 31,	957	150

The individually impaired other receivables of RMB1,250,000 (2015: RMB150,000) relate to debtors that were in default and the outstanding receivables are not expected to be recovered.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

17. CASH AND CASH EQUIVALENTS AND LONG-TERM DEPOSITS

	2016 RMB'000	2015 RMB'000 (Restated)
Cash and bank balances	**142,516**	127,449
Time deposits with original maturity of three months or less when acquired	**571,902**	1,086,137
Time deposits with original maturity over three months when acquired	**416,390**	4,093
Cash and cash equivalents	**1,130,808**	1,217,679
Less: Long-term deposits	**(110,250)**	–
	1,020,558	1,217,679

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB placed in the PRC amounted to approximately RMB116,256,000 (2015: RMB97,027,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one month and two years depending on the immediate cash requirements of the Group, and earn interest at the respective term deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. Time deposits with original maturity over one year when acquired were classified as long-term deposits under non-current assets.

18. TRADE PAYABLES

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

	2016 RMB'000	2015 RMB'000 (Restated)
Within 3 months	**1,447**	1,082
3 to 12 months	**822**	476
Over 12 months	**1,482**	2,095
	3,751	3,653

The trade payables are non-interest-bearing and are normally settled on terms of 90 to 180 days.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

19. OTHER PAYABLES AND ACCRUALS

	2016 RMB'000	2015 RMB'000 (Restated)
Other payables	**34,288**	16,569
Accruals	**21,070**	43,805
	55,358	60,374

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

20. DEFERRED REVENUE

	2016 RMB'000	2015 RMB'000 (Restated)
Deferred revenue from the PIATS business	**86,873**	34,440
Less: Current portion	**(86,873)**	(19,908)
	–	14,532

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

21. DEFERRED TAX

Deferred tax liability

	Withholding taxes on distributable profits of the Group's PRC joint venture and associate RMB'000 (restated)
At April 1, 2014	4,247
Deferred tax charged to the statement of profit or loss *(note 9)*	927
Gross deferred tax liability at March 31, 2015 and April 1, 2015	5,174
Deferred tax charged to the statement of profit or loss *(note 9)*	1,845
Gross deferred tax liability at March 31, 2016	7,019

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

	2016 **RMB'000**	2015 RMB'000 (Restated)
Tax losses	**782,508**	575,358
Impairment of trade receivables and other receivables	**24,092**	19,388
	806,600	594,746

The Group has tax losses arising in Hong Kong of approximately RMB493,997,000 (2015: RMB482,842,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of RMB288,511,000 (2015: RMB92,516,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses and other deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from January 1, 2008 and applies to earnings after March 31, 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries, joint venture and associate established in Mainland China in respect of earnings generated from January 1, 2008.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

21. DEFERRED TAX (continued)

Deferred tax liability (continued)

At March 31, 2016 and 2015, there was no unremitted earnings of the Group's subsidiaries established in Mainland China.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

22. SHARE CAPITAL

Shares

	2016 RMB'000	2015 RMB'000 (Restated)
Issued and fully paid:		
8,172,644,639 (2015: 8,172,644,639) ordinary shares of HK$0.01 each	**72,305**	72,305

A summary of movements in the Company's issued share capital is as follows:

	Number of shares in issue RMB'000	Share capital RMB'000	Share premium RMB'000	Total RMB'000
At April 1, 2014	3,748,969,631	36,916	838,129	875,045
Share options exercised *(note a)*	500,000	3	1,452	1,455
Issue of shares *(note b)*	4,423,175,008	35,386	1,026,177	1,061,563
	8,172,644,639	72,305	1,865,758	1,938,063
Share issue expenses	–	–	(2,137)	(2,137)
At March 31, 2015, April 1, 2015 and March 31, 2016	8,172,644,639	72,305	1,863,621	1,935,926

Notes:

(a) On April 10, 2014, the subscription rights attaching to 500,000 share options were exercised at the subscription price of HK$3.175 per share (note 23), resulting in the issue of 500,000 shares for a total cash consideration, before expenses, of HK$1,588,000 (equivalent to approximately RMB1,268,000). An amount of HK$232,000 (equivalent to approximately RMB187,000) was transferred from the employee share-based compensation reserve to share premium upon exercise of the share options.

(b) On April 30, 2014, 4,423,175,008 shares of HK$0.01 each were allotted and issued to Perfect Advance for cash payment at the subscription price of HK$0.30 per share for a total cash consideration, before expenses, of HK$1,326,953,000 (equivalent to approximately RMB1,061,563,000).

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

23. SHARE-BASED COMPENSATION COSTS

Share option scheme

The Company operated a share option scheme (the "Share Option Scheme") which became effective on August 29, 2013 for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations. Eligible participants of the Share Option Scheme included the Company's directors or proposed directors, including independent non-executive directors, other employees or proposed employees of the Group or any individual for the time being seconded to work for the Group, any substantial shareholder of any member of the Group, any contractor, agent or representative of the Group, any person or entity that provided research, development or other technological support or any advisory, consultancy, professional or other services to the Group, any supplier or licensor of goods or services to the Group, or any customer or licensee (including any sub-licensee) of goods or services of the Group.

The Share Option Scheme was terminated in November 2014. As at the date of termination, no share options were outstanding under the Share Option Scheme.

Movements in the number of units of options granted under the Share Option Scheme during the year ended March 31, 2015:

	Weighted average exercise price HK$ per share	Number of options '000
Outstanding at April 1, 2014	3.175	500
Exercised during the year	3.175	(500)
Outstanding at March 31, 2015	–	–

The weighted average share price at the date of exercise for share options exercised during the year ended March 31, 2015 was HK$5.33 per share.

The Group did not recognise any expenses during the year ended March 31, 2015 in relation to share options granted by the Company under the Share Option Scheme as all share options had been vested in prior years.

The 500,000 share options exercised during the year end March 31, 2015 resulted in the issue of 500,000 ordinary shares of the Company and new share capital of HK$5,000 (before issue expenses), as further detailed in note 22 to the financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

23. SHARE-BASED COMPENSATION COSTS (continued)

Share award scheme

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

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

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

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

The total number of shares in respect of which Awards may be granted under the Share Award Scheme and any other share award schemes of the Company shall not exceed 3% of the shares in issue as at the Adoption Date (the "Scheme Mandate Limit"), or 3% of the shares in issue as at the new approval date of the renewed Scheme Mandate Limit.

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

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

23. SHARE-BASED COMPENSATION COSTS (continued)

Share award scheme (continued)

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

	Weighted average exercise price of share options HK$ per share	Number of options '000	Number of RSUs '000
Outstanding at April 1, 2015	–	–	–
Granted during the year	6.59	44,566	22,946
Forfeited during the year	10.18	(12,381)	(3,602)
Outstanding at March 31, 2016	5.21	32,185	19,344
Weighted average fair value per unit at March 31, 2016		RMB2.14	RMB4.34

For share options outstanding at the end of the reporting period, the exercise prices range from HK$5.184 to HK$5.55. The exercise period of the options is from the vesting date to 10 years from the grant date. As at March 31, 2016, the remaining vesting periods for the options and RSUs granted range from 1 month to 42 months.

The fair value of share options granted during the year was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2016
Fair value of the Company's shares as at the grant date	**HK$4.96~HK$5.55**
Expected volatility (%)	**70**
Expected dividend (%)	**0.00**
Exercise multiple	**2.2~2.8**
Exercise price	**HK$5.184~HK$5.55**
Risk-free interest rate (%)	**1.46~1.74**
Forfeiture rate (%)	**20~30**

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

The fair values of the RSUs granted during the year ended March 31, 2016 was determined based on the market value of the Company's shares at the respective grant dates.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

23. SHARE-BASED COMPENSATION COSTS (continued)

Share award scheme (continued)

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

	2016 RMB'000	2015 RMB'000
Cost of revenue	**234**	–
Sales and marketing expenses	**9,937**	–
Administrative expenses	**15,268**	–
Product development expenses	**12,033**	–
Total	**37,472**	–

At the end of the reporting period, the Company had 32,185,000 share options and 19,344,000 RSUs outstanding under the Scheme. The exercise in full of the outstanding share options and RSUs would, under the present capital structure of the Company, result in the issue of 51,529,000 additional ordinary shares of the Company and additional share capital of HK$515,290 (equivalent to approximately RMB429,730) (before issue expenses).

Subsequent to the end of the reporting period, on April 28, 2016, the Company granted 5,832,000 share options and 16,214,890 RSUs under the Share Award Scheme to eligible employees in respective of their services to the Group in the forthcoming years. These share options have an exercise price of HK$5.32 per share and vesting periods ranging from October 10, 2017 to April 30, 2020. The RSUs have vesting periods ranging from April 30, 2016 to April 30, 2020. The price of the Company's shares at the date of grant was HK$5.32 per share.

At the date of approval of these financial statements, the Company had approximately 35,426,000 share options and 33,568,600 RSUs outstanding under the Share Award Scheme, which represented approximately 0.8% of the Company's shares in issue as at that date.

Equity-settled share-based payment transaction

On January 15, 2015 (the "Effective Date"), as a reward for past service to the Group of Mr. Wang Yaqing ("Mr. Wang"), a director of a subsidiary of the Company, Perfect Advance and Ms. Chen Xiao Ying, shareholders of the Company, sold 2,547,000 and 453,000 shares of the Company respectively, to Mr. Wang at a lower-than-market price of HK$0.9 per share (the "Arrangement"). The market price of the shares of the Company was HK$5.38 (equivalent to approximately RMB4.30) per share at the Effective Date. The difference between the purchase price and the market price of the 3,000,000 shares sold to Mr. Wang amounted to HK$13,440,000 (equivalent to approximately RMB10,752,000). The Arrangement constitutes an equity-settled share-based payment transaction and the Group recognised a share-based payment expense of HK$13,440,000 (equivalent to approximately RMB10,752,000) and a corresponding contribution from shareholders during the year ended March 31, 2015.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

24. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 39 of the financial statements.

The Group's capital reserve as at March 31, 2014 represents the deemed capital contribution from CITIC Group Corporation, the then shareholder of Dongfang Customs, made upon the Group's acquisition of Dongfang Customs' 30% equity interest from CITIC Group Corporation during the year ended March 31, 2005 and the deemed contribution from another shareholder of Dongfang Customs, made upon the waived payable of RMB2,330,000 due from Dongfang Customs during the year ended March 31, 2014. During the year ended March 31, 2015, the addition represents the contribution from shareholders in relation to an equity-settled share-based payment transaction which is further detailed in note 23 to the financial statements.

The Group's contributed surplus represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation over the nominal value of the Company's shares issued in exchange therefor.

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General reserve represents the share of PRC statutory reserves from the joint venture before the year ended March 31, 2013. PRC statutory reserves are required to be maintained under the relevant PRC laws applicable to the joint venture of the Group.

25. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office buildings under operating lease arrangements, which are negotiated for terms ranging from 6 months to 40 months.

At March 31, 2016, the Group had total future minimum lease payments under the non-cancellable operating leases falling due as follows:

	2016 **RMB'000**	2015 RMB'000 (Restated)
Within one year	**12,845**	6,559
In the second to fifth years, inclusive	**15,386**	13,496
	28,231	20,055

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

26. COMMITMENTS

In addition to the operating lease commitments detailed in note 25 above, the Group had the following capital commitments at the end of the reporting period:

	2016 RMB'000	2015 RMB'000 (Restated)
Contracted, but not provided for:		
Acquisition of an associate	225,000	–
	225,000	–

27. RELATED PARTY TRANSACTIONS

(I) Transactions with related parties:

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2016 RMB'000	2015 RMB'000 (Restated)
Rental and management fee paid to a subsidiary of Alibaba Group *(note i)*	432	–
Legal service fee paid to a subsidiary of Alibaba Group *(note i)*	1,200	–

Note:

(i) The sharing of administrative service fees between the Group and a subsidiary of Alibaba Group was conducted on a cost basis.

(b) On September 30, 2014, CITIC 21CN Technology, an indirectly wholly-owned subsidiary of the Company, entered into the Cloud Computing Services Agreement (the "Agreement") with Alibaba Cloud Computing Ltd.* (阿里雲計算有限公司) ("Alibaba Cloud"), a subsidiary of Alibaba Group. Pursuant to the Agreement, Alibaba Cloud will provide certain cloud computing services to the Group on a term of six months, commencing on October 1, 2014. On April 21, 2015, CITIC 21CN Technology and Alibaba Cloud renewed the Agreement, pursuant to which, Alibaba Cloud will provide certain cloud computing services to the Group for a term of one year, being deemed to have commenced on April 1, 2015 and ended on March 31, 2016. During the year, a service fee of RMB7,687,000 (2015: RMB2,201,000) was charged by Alibaba Cloud to the Group. As at March 31, 2016, a service fee payable to Alibaba Cloud included in the Group's other payables and accruals amounted to RMB120,000 (2015: RMB587,000). Further details of the transaction were set out in the announcement of the Company dated April 21, 2015. On May 30, 2016, CITIC 21CN Technology and Alibaba Cloud entered into the Second Renewed Cloud Computing Service Agreement for a term of one year that runs retrospectively from April 1, 2016 to March 31, 2017. Further details of the transaction were set out in the announcement of the Company dated May 30, 2016.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

27. RELATED PARTY TRANSACTIONS (continued)

(I) Transactions with related parties: (continued)

(c) On April 6, 2015, the Company resolved to conditionally grant 3,300,000 RSUs to Mr. Wang Yaqing, a director of a subsidiary of the Company, which was subsequently approved by the shareholders' special general meeting on June 12, 2015. Furthermore, on April 21, 2015, the Company granted 8,700,000 options to Mr. Wang Yaqing under the Share Award Scheme. Further details of the transaction were set out in the announcement of the Company dated April 21, 2015. Mr. Wang Yaqing resigned from the Group before accepting the grant of such RSUs. The options were also forfeited due to his resignation.

(d) On September 7, 2015, the Company granted a total of 12,936,000 share options, with an exercise price of HK$5.184 per share, and conditionally granted 3,462,000 RSUs to Mr. Wang Lei, the chief executive officer and an executive director of the Company, and Ms. Ma Li, Mr. Meng Changan and Mr. Wang Peiyu, each of them either being a director of a subsidiary or certain subsidiaries of the Company, under the Share Award Scheme. The Group recognised a share-based compensation expense of approximately RMB11,733,000 (2015: Nil) during the year ended March 31, 2016. Further details of the transaction were set out in the announcement of the Company dated September 8, 2015.

(e) On March 1, 2015 and April 3, 2015, the Group entered into a promotion service agreement and a call center outsourcing service agreement with HL95 and one of its subsidiaries, pursuant to which HL95 and one of its subsidiaries will provide certain promotion service and call center service to the Group. The term of the agreements is one year commencing on March 1, 2015 and April 1, 2015, respectively. During the year ended March 31, 2016, service fees of RMB1,425,000 (2015: Nil) and RMB4,333,000 (2015: Nil), respectively were charged by HL95 and one of its subsidiaries to the Group. As at March 31, 2016, promotion service fee and call center service fee payable to HL95 and one of its subsidiaries included in the Group's other payables and accruals amounted to RMB84,000 (2015: Nil) and RMB497,000 (2015: Nil), respectively.

The related party transactions in respect of items (a) to (d) above for the current year also constitute continuing connected transactions or connected transactions as defined in Chapter 14A of the Listing Rules.

* For identification purpose only

(II) Compensation of key management personnel of the Group

	2016 RMB'000	2015 RMB'000 (Restated)
Short term employee benefits	**4,893**	19,704
Share-based compensation expenses	**16,141**	10,752
Pension scheme contributions	**118**	70
Total compensation paid to key management personnel	**21,152**	30,526

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

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

28. ARBITRATION AND LITIGATION

On January 12, 2015 ("Settlement Date"), the Company entered into a settlement agreement (the "Settlement Agreement") in respect of dispute and legal proceedings in relation to a license and service agreement with Oracle Systems Hong Kong Limited ("Oracle Hong Kong") and Oracle (China) Software System Co., Ltd. ("Oracle Beijing"). Under the Settlement Agreement, CITIC 21CN Technology, Oracle Beijing, the Company and Oracle Hong Kong have agreed that as full and final settlement of the dispute and legal proceedings, among other things, (i) CITIC 21CN Technology paid Oracle Beijing a sum of approximately RMB37.2 million; and (ii) Oracle Hong Kong refunded the agreement deposit paid by the Company in 2006 of approximately US$11 million (equivalent to RMB68.3 million) to the Company, and (iii) Oracle Hong Kong paid the accrued interest of approximately US$1.2 million (equivalent to RMB7.6 million), to the Company. Further details of the litigation are included in the financial statements for the year ended March 31, 2015.

As at the Settlement Date, the aggregate cost of Oracle licence and accrued service fee as recorded by the Group amounted to approximately RMB100 million. The above amount minus the settlement payment plus the RMB7.6 million interest income resulted in RMB70.4 million which was recorded in other income and gains for settlement of litigation and reversal of related accruals.

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets – Loans and receivables

	March 31, 2016 **RMB'000**	March 31, 2015 RMB'000 (Restated)
Trade receivables	**106**	1,070
Financial assets included in prepayments, deposits and other receivables	**11,222**	11,574
Cash and cash equivalents	**1,020,558**	1,217,679
Long-term deposits	**110,250**	–
	1,142,136	1,230,323

Financial liabilities – Financial liabilities at amortised cost

	March 31, 2016 **RMB'000**	March 31, 2015 RMB'000 (Restated)
Trade payables	**3,751**	3,653
Financial liabilities included in other payables and accruals	**48,303**	48,479
	52,054	52,132

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair value, are as follows:

	Carrying amount		Fair value	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Long-term deposits	**110,250**	–	**106,551**	–

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of long-term deposits has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value measurement is categorised within Level 3 of the fair value hierarchy during the year. The valuation is reviewed and approved by the financial director.

The Group did not have any financial assets and liabilities measured at fair value as at March 31, 2016 and March 31, 2015.

The Group did not have any financial liabilities for which fair values are disclosed as at March 31, 2016. The Group did not have any financial assets or liabilities for which fair values are disclosed as at March 31, 2015.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and term deposits. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are credit risk, foreign currency risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, other receivables and long-term deposits, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 15 to the financial statements.

The Group places its cash deposits with major international banks in Hong Kong and state-owned banks in Mainland China. This investment policy limits the Group's exposure to concentrations of credit risk.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from the Group's cash and bank balances denominated in currencies other than the functional currencies of the operating units.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of cash and bank balances).

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in loss before tax RMB'000 (Restated)
2016		
If the Hong Kong dollar weakens against RMB	**1**	**2,877**
If the Hong Kong dollar strengthens against RMB	**(1)**	**(2,877)**
2015		
If the Hong Kong dollar weakens against RMB	1	4,095
If the Hong Kong dollar strengthens against RMB	(1)	(4,095)

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	With 1 year or on demand March 31, 2016 RMB'000	With 1 year or on demand March 31, 2015 RMB'000 (Restated)
Trade payables	**3,751**	3,653
Financial liabilities included in other payables and accruals	**48,303**	48,479
	52,054	52,132

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new issues of shares.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

32. EVENTS AFTER THE REPORTING PERIOD

(a) On March 28, 2016, Alibaba Health Technology Beijing entered into a capital injection agreement with Wanliyun Medical Information Technology (Beijing) Co., Ltd. (萬里雲醫療信息科技（北京）有限公司) ("Wanliyun"), a company established in the PRC with limited liability, and China Resources Wandong Medical Equipment Company Limited (華潤萬東醫療裝備股份有限公司) ("Wandong Medical"), a company established in the PRC and the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600055), pursuant to which Alibaba Health Technology Beijing shall inject RMB225,000,000 in cash to Wanliyun, of which, approximately RMB2,667,000 will be contributed to Wanliyun's registered capital, and the remaining amount will be to its capital reserve. Upon completion of the transaction, the registered capital of Wanliyun shall be increased to approximately RMB10,667,000, Wandong Medical and Alibaba Health Technology Beijing will hold 75% and 25% of Wanliyun's equity interest, respectively.

On April 27, 2016, Alibaba Health Technology Beijing made a capital injection of RMB112,500,000 in Wanliyun and acquired its 25% equity interest, as a result of which Wanliyun became an associate of the Group. The remaining consideration of RMB112,500,000 will be paid in 6 months hereafter.

(b) On April 1, 2016, Alibaba Health Technology Beijing, and Zhejiang Tmall Network Co., Ltd* (浙江天貓網絡有限公司) and Zhejiang Tmall Technology Co., Ltd* (浙江天貓技術有限公司), (collectively the "Tmall Entities"), members of Alibaba Group, have entered into a services agreement pursuant to which the Group shall provide certain outsourced and value-added services in accordance with the terms and conditions of the services agreement.

The Tmall Entities shall pay the Group a service fee amounting to 21.5% of the fees paid by the merchants to the relevant Tmall Entities in respect of the value of completed sales of products or services under the relevant categories on Tmall. The transaction contemplated under the services agreement will constitute non-exempt continuing connected transactions. Subject to approval by the Company's independent shareholders at the special general meeting, the term of the services agreement is three years commencing from the effective date, which is the third business day following the date of the approval of the services agreement and continuing connected transactions contemplated thereunder by the independent shareholders at the special general meeting. At the date of approval of these financial statements, the Company is still finalizing the circular in relation to the transaction.

* For identification purpose only

33. COMPARATIVE AMOUNTS

As further explained in note 2.1, due to the change of presentation currency during the current year, the comparative figures in the consolidated financial statements have been restated from HK$ to RMB accordingly to conform with the current year's presentation, and a third consolidated statement of financial position as at April 1, 2014 has been presented.

In addition, certain comparative amounts in the consolidated statement of financial position have been reclassified to conform with the current year's presentation.

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	March 31, 2016 RMB'000	March 31, 2015 RMB'000 (Restated)
NON-CURRENT ASSETS		
Property and equipment	**6**	12
Investments in subsidiaries	**176,459**	121,022
Long-term-deposit	**110,250**	–
Total non-current assets	**286,715**	121,034
CURRENT ASSETS		
Prepayments and other receivables	**2,353**	2,387
Cash and cash equivalents	**903,453**	1,120,118
Total current assets	**905,806**	1,122,505
CURRENT LIABILITIES		
Other payables and accruals	**16,331**	1,559
Due to subsidiaries	**3,498**	42,080
Total current liabilities	**19,829**	43,639
NET CURRENT ASSETS	**885,977**	1,078,866
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,172,692**	1,199,900
Net assets	**1,172,692**	1,199,900
EQUITY		
Share capital	**72,305**	72,305
Reserves	**1,100,387**	1,127,595
Total equity	**1,172,692**	1,199,900

NOTES TO FINANCIAL STATEMENTS (continued)

March 31, 2016

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

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

	Notes	Share premium account RMB'000	Contributed surplus RMB'000	Employee share-based compensation reserve RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve# RMB'000	Accumulated losses RMB'000	Total RMB'000
At April 1, 2014 (restated)		838,129	57,741	187	–	(62,546)	(562,063)	271,448
Loss and total comprehensive loss for the year		–	–	–	–	–	(179,910)	(179,910)
Issue of shares	22	1,026,177	–	–	–	–	–	1,026,177
Share issue expenses	22	(2,137)	–	–	–	–	–	(2,137)
Exercise of share options	23	1,452	–	(187)	–	–	–	1,265
Contribution from shareholders	23	–	–	–	10,752	–	–	10,752
At March 31, 2015 (restated)		1,863,621	57,741	–	10,752	(62,546)	(741,973)	1,127,595
Loss for the year		–	–	–	–	–	(111,638)	(111,638)
Other comprehensive income for the year:								
Translation of functional currency to presentation currency		–	–	–	–	46,958	–	46,958
Total comprehensive income/(loss) for the year		–	–	–	–	46,958	(111,638)	(64,680)
Share-based compensation expense	23	–	–	37,472	–	–	–	37,472
At March 31, 2016		1,863,621	57,741	37,472	10,752	(15,588)	(853,611)	1,100,387

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

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on June 22, 2016.

FINANCIAL SUMMARY

	Year ended March 31,				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)	(Restated)	(Restated)
RESULTS					
Revenue	**56,595**	29,744	21,990	13,024	9,010
Loss before tax	**(197,117)**	(83,178)	(26,898)	(33,728)	(4,603)
Taxation	**(1,851)**	(927)	(768)	(161)	(1,738)
Loss for the year	**(198,968)**	(84,105)	(27,666)	(33,889)	(6,341)
Attributable to:					
Owners of the parent	**(191,608)**	(81,221)	(31,360)	(33,889)	(6,340)
Non-controlling interests	**(7,360)**	(2,884)	3,694	–	(1)
	(198,968)	(84,105)	(27,666)	(33,889)	(6,341)

	As at March 31,				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)	(Restated)	(Restated)
ASSETS AND LIABILITIES					
Total assets	**1,348,150**	1,408,721	395,312	319,782	432,325
Total liabilities	**(192,879)**	(141,830)	(113,686)	(89,870)	(105,301)
	1,155,271	1,266,891	281,626	229,912	327,024
Equity attributable to owners of the parent	**1,221,360**	1,325,620	337,471	289,451	327,017
Non-controlling interests	**(66,089)**	(58,729)	(55,845)	(59,539)	7
	1,155,271	1,266,891	281,626	229,912	327,024